

COUNTY OF CULPEPER, VIRGINIA



COMPREHENSIVE ANNUAL **FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2005

County of Culpeper, Virginia

**Comprehensive Annual
Financial Report**

Year Ended June 30, 2005

PREPARED BY:

Valerie H. Lamb, Finance Director

COUNTY OF CULPEPER, VIRGINIA

Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2005

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County of Culpeper
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November 28, 2005

To the Honorable Members of the Board of Supervisors
To the Citizens of Culpeper County
County of Culpeper, Virginia

We are pleased to present the Comprehensive Annual Financial Report of the County of Culpeper, Virginia, (the "County"), for the fiscal year ended June 30, 2005. This report was prepared by the County's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The management of the County is responsible for establishing and maintaining an internal control structure to ensure the protection of County assets. In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls. In addition to the internal accounting controls noted above, the County also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Board of Supervisors. Activities of the general fund and capital projects fund are included in the annual appropriated budget.

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. The audit for the fiscal year ended June 30, 2005 has been completed and no material internal control weaknesses or material violations of laws and regulations have been found.

The County adopts an annual budget by July 1 of each year as required by 15.2-2503, Code of Virginia of 1950, as amended. A budget is not required for fiduciary funds.

When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with 15.2-2507, Code of Virginia of 1950, as amended. Budgetary compliance is monitored and reported at the department level. The budget is implemented through appropriations that the Board makes annually, with supplemental appropriations made as required. These appropriations, except those to incur mandated expenditures, may be greater or less than contemplated in the budget.

THE REPORTING ENTITY AND ITS SERVICES

The County of Culpeper report includes all funds and account groups of the “primary government.” In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing all services normally provided by a local government. These services include public safety, social services, recreation and cultural activities and community development. Additionally, the County operates an airport, water and wastewater utility system and a landfill. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, “The Financial Reporting Entity,” the County has identified two discrete component units. The GASB statement establishes the criteria used in making this determination and identifies each as a blended component unit or discretely presented component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government’s operations, and therefore are included as part of the primary government. The Culpeper County Water and Sewer Authority is a blended component unit. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of this primary government. Therefore, the County School Board is reported in a discrete presentation. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to the public whose board is elected and is fiscally dependent on the local government.

The financial statements for the Piedmont Regional Control Board, Rappahannock-Rapidan Regional Commission, and the Rappahannock-Rapidan Community Services Board are not included in the County report. Boards separate from, and independent of, the Board of Supervisors administer these organizations.

Culpeper County is located in north central Virginia, 75 miles southwest of Washington, D.C. and 75 miles northwest of Richmond, Virginia. The county encompasses a land area of 381 square miles. Three U.S. primary and one State primary route traverse the County. Culpeper has a diversified economy with strong manufacturing, trade services, and agricultural sectors. Manufacturing activity includes: auto parts, furniture, kitchen cabinets, wire cable, fiber optics and iron castings. Major service industries include: international financial telecommunications, uniform rentals, health care, education, and government. International firms have a significant presence in the community. Agriculture remains important in Culpeper’s economy, with beef cattle the principal livestock and soy beans, hay and corn the major cash crops.

Based on available economic data, trends for the local economy have continued to show strength. The local unemployment rate was 3.0% at June 30, 2005, which is higher than the 2.60% at June 30, 2004. The local unemployment rate compares favorably to the state and national rate of 3.8% and 5.2% respectively. The County’s favorable employment conditions are supported by the continued growth of jobs over the last six years. According to the Virginia Employment Commission, the number of persons employed has increased from 16,171 in 1999 to 18,326 in 2005. In summary, local business indicators are continuing to indicate a good local economy.

MAJOR INITIATIVES

For fiscal year 2005: Following the goals and objectives established by the County of Culpeper Board of Supervisors, and with the assistance and guidance of the County’s Administrator, County staff and agencies implemented and continued a number of specific “*programs*” designed to provide County residents with cost efficient government while enhancing their home and employment environment.

MAJOR INITIATIVES: (CONTINUED)

Major initiatives begun, continued, or completed during this fiscal year are:

- Geographic Information System (GIS) continued implementation for county residents' use.
- County airport Improvements.
- Public safety communications.
- Culpeper Community Recreation Complex
- Increase in teacher and administrative salaries above SOQ
- Energy Program for School System
- New School Bus Lease
- New classroom space for Culpeper High School
- Architectural development for new high school
- Budget for down payment on new high school

Geographic Information System (GIS)

The County's Department of Planning and Zoning continued implementation of the County's GIS system. Residents are able to interrogate the system for all property related information such as current tax assessment values, current zoning, flood plain information, building locations, topography, aerial photography, etc. The system is available though the Internet, or can be used free of charge at the County's offices. The system is continually upgraded and expanded. Improvements continue in fiscal year 2005.

Airport Improvements

During fiscal year 2005 the County of Culpeper Board of Supervisors completed major enhancements to the Culpeper Regional Airport. The project included an extension of the runway and taxiway to 5,000 feet. A taxiway extension, a new corporate hangar, and 15 new T-hangars were completed in fiscal year 2002. The construction is required due to a significant increase in air traffic utilizing this centrally located airport. Construction of the overall plan is well under way. Fiscal year 2001 included obstruction removal and taxiway construction, which was carried into fiscal year 2002. Runway extension design was completed in fiscal year 2002, as was apron construction. Runway extension was substantially completed in fiscal year 2004.

Fiscal Year 2005 will begin the construction process of the mid-field apron as well as a parking area and hangar site prep work. This work will continue into fiscal year 2006.

Public Safety Communications

Planning for a major upgrade to the County's Public Safety Radio System was completed in fiscal year 2000. The new system will link all operations of County government and law enforcement, fire, rescue, and EMS Services, with the County's E911 public safety communications center. The project was expected to take 2 years to complete and will be "state of the art" in communications technology. With the towers construction completed, the purchase of the Radio System will begin concurrently with the acquisition of a new Emergency Operations Center. Construction of the new EOC began in 2004, and the construction was substantially complete in FY06. Installation of the radio system is slated to be completed during fiscal year 2006.

Culpeper Community Recreation Complex

In 2003, the County of Culpeper hired a Civil Engineering firm to design and prepare bid documents for a recreation complex that includes seven baseball fields, three football fields, six soccer fields, and recreational walking trails. The complex will address the need for playing fields for intramural sports in the County. Construction began in 2004 with substantial completion of the fields available for public use in fiscal year 2006.

MAJOR INITIATIVES: (Continued)

Increase in Teacher and Administrative Salaries above SOQ

The Board of Supervisors, in an effort to maintain and attract qualified teachers in the Culpeper County School System, provided funding during FY05 for salaries above the SOQ requirement. Further, the School System requested and the Board of Supervisors funded teaching positions over the SOQ requirement in an effort to keep the student to teacher ratios low. With the funding provided for the addition of new positions to reduce class size and increase in salaries, total teacher compensation was increased by approximately 10% for the Culpeper County School System.

Energy Program for School System

The Board of Supervisors also recognized in fiscal year 2004 the need for continued upkeep and maintenance at the High School. Therefore they appropriated over \$1,000,000 towards that goal. The School System began in fiscal year 2004 and continued into fiscal year 2005 an energy program for installation of new boilers and new lighting at the high school, which will be energy efficient, and a cost savings to the county.

New School Bus Lease

During fiscal year 2004, the School System requested a plan for both bus replacement and new bus additions. The Board of Supervisors recognized the need for additional buses due to the increase in students in the county as well as a need for safety in replacing older buses. Therefore the funding has been approved in the fiscal year 2004 and 2005 budgets for debt service for this plan. The master lease for a five-year draw down was in excess of \$2,000,000.

New Classroom Space for Culpeper County High School

The Board of Supervisors, recognizing the space needs of the School System began discussions with the School Board during fiscal year 2004. The School System brought to the Board of Supervisors a plan for a new high school, new elementary school and renovations of existing schools. In an effort to provide space needs, timely develop a long-term space needs plan, and considering the affects on the taxpayers of Culpeper County, the Board of Supervisors decided to fund construction of a "classroom building" which will contain 22 classrooms and a culinary kitchen on the High School campus. Construction is expected to be completed by January 2006 for the start of the second semester of fiscal year 2006 classes.

Architectural Development for New High School

As mentioned in the above paragraph, the Board of Supervisors recognizes the need for space in the School System. Therefore they began funding in fiscal year 2005 for the architectural design of a new 1500 student high school. Construction of the new high school is anticipated to be completed in fiscal year 2008.

Budget for Down Payment of New High School

In an effort to reduce the impact to the taxpayers of the county for construction of a new high school, the Board of Supervisors began during fiscal year 2004 and continued in 2005 budgeting funds that would be reserved to help offset the debt costs when funding was borrowed for the construction of the new high school. This savings account collected \$500,000 in fiscal year 2004 and for fiscal year 2005 the Board approved \$1,000,000 in the adoption of the budget. The fiscal year 2006 amount approved to be set aside to continue this program is \$2,448,524.

Prospects for the Future. For the fiscal year 2005-2006, the Board of Supervisors has approved a General Fund Operating Budget of \$60,961,190. As part of the 2005-2006 budget process, the assessed values for both real estate and personal property were anticipated to increase, based on the past few years of growth recognized in the County, therefore the Board of Supervisors elected to maintain the real estate rate at \$0.89.

MAJOR INITIATIVES: (Continued)

Risk Management. The County of Culpeper has a risk management program which is committed to the logical, systematic and continuous identification of loss exposures for and to the County, its employees, its citizens and taxpayers, through the evaluation of risk in terms of severity and frequency probability and the application of sound loss control procedures. As a part of this commitment, the county has obtained third party coverage for all liability risk.

Cash Management. Cash temporarily idle during the year was invested in time deposits and various authorized money market instruments. The amount of interest received was \$594,246. This is an increase from interest earned on temporary investments in fiscal year 2003-04 when the interest on investments totaled \$243,998.

OTHER INFORMATION

Management's Discussion and Analysis. Generally accepted accounting principles require management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County of Culpeper's MD&A can be found immediately following the report of the independent auditors.

Independent Audit. The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the County by independent certified public accountants selected by the Board of Supervisors. The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Information related to this single audit, including the findings and recommendations, and auditors' reports on the internal control structure and compliance with laws and regulations, is contained in this report. These requirements have been complied with and the auditor's opinion is included in this report.

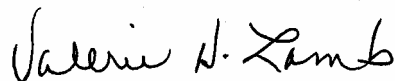
Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Excellence in Financial Reporting to County of Culpeper, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2004. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Acknowledgments. The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the entire Department of Finance. We would also like to thank the Board of Supervisors for their interest and support in planning and conducting the financial operation of the County in a responsible and progressive manner.

Respectfully submitted,

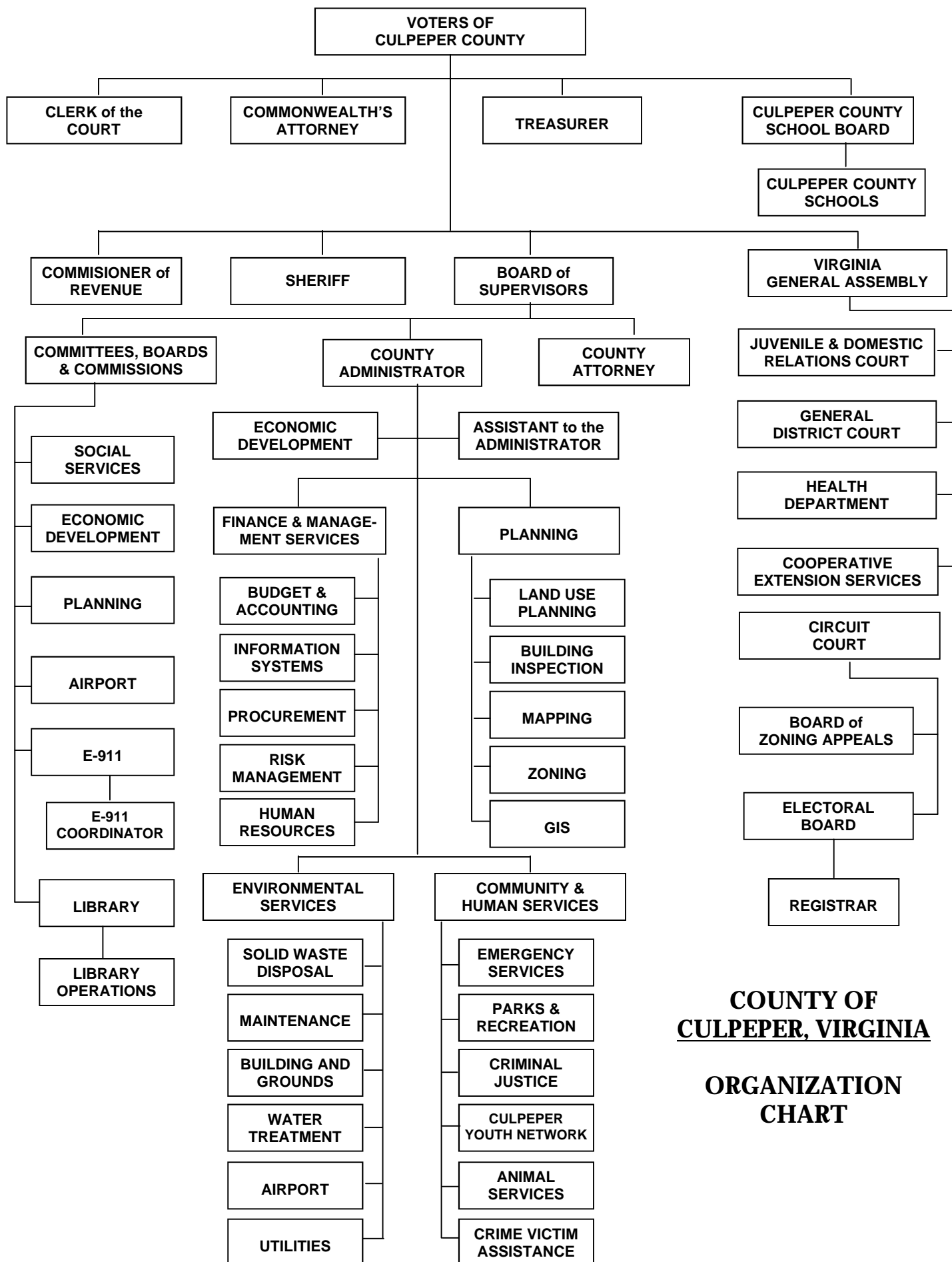


Frank T. Bossio
County Administrator



Valerie Lamb
Director of Finance

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**COUNTY OF
CULPEPER, VIRGINIA**

**ORGANIZATION
CHART**

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COUNTY OF CULPEPER, VIRGINIA
Directory of Officials
June 30, 2005

PRIMARY GOVERNMENT OFFICIALS

BOARD OF SUPERVISORS

John F. Coates, Chairman
Steven E. Nixon, Vice-Chairman
James C. Lee
Bradley C. Rosenberger
Sue D. Hansohn
William C. Chase
Steven L. Walker

Salem District
West Fairfax District
Cedar Mountain District
Jefferson District
Catalpa District
Stevensburg District
East Fairfax District

CONSTITUTIONAL OFFICERS

Terry Yowell
David L. DeJarnette
Gary Close
H. Lee Hart
Patricia Payne

Commissioner of Revenue
Treasurer
Commonwealth's Attorney
Sheriff
Circuit Court Clerk

ADMINISTRATIVE OFFICERS

Frank T. Bossio
John D. Maddox
Valerie H. Lamb
Calvin Coleman

County Administrator
County Attorney
Director of Finance
Director of Human Services

SCHOOL BOARD COMPONENT UNIT OFFICIALS

School Board

Elizabeth Hutchens, Chairman.....	Cedar Mountain District
Claudia L. Vento, Vice Chairman.....	West Fairfax District
Jennifer McCauley.....	Salem District
Leanne Jenkins.....	Jefferson District
Robert L. Jenkins, III, Chairman.....	Catalpa District
Barton Hitchcock	Stevensburg District
Robert Beard	East Fairfax District

Administrative Officers

Dr. David A. Cox	Superintendent
Larry Carter	Deputy Superintendent
Mary Grist	Director of Personnel
Jeffrey R. Shomo	Executive Director of Business

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Culpeper,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Enen

Executive Director

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

**The Honorable Members of
The Board of Supervisors
County of Culpeper, Virginia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Culpeper, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Culpeper, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Specifications for Audits of Counties, Cities, and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Culpeper, Virginia, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2005, on our consideration of the County of Culpeper, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Required Supplementary information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Culpeper, Virginia, basic financial statements. The introductory section, combining fund financial statements, supporting schedule and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the County of Culpeper, Virginia. The combining fund financial statements, supporting schedule and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 21, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

**To the Honorable Members of the Board of Supervisors
To the Citizens of Culpeper County
County of Culpeper, Virginia**

As management of the County of Culpeper, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

Government-wide Financial Statements

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$53,711,732 (net assets). Of this amount, \$25,167,360 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$36,587,801, an increase of \$8,472,527 in comparison with the prior year. Approximately seventy-eight percent of this amount, \$28,591,969, is available for spending at Culpeper, Virginia's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$28,591,969, or 54 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Overview of the Financial Statements: (Continued)

Both of the Government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, police and volunteer fire protection, sanitation, social services, education, cultural events, and recreation. The business-type activities of the County include Water and Sewer, Landfill, and Airport operations.

The Government-wide financial statements include not only the County of Culpeper, Virginia itself (known as the primary government), but also a legally separate school district for which the County of Culpeper, Virginia is financially accountable. Financial information for these component units is reported separately from the financial information present for the primary government itself.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Culpeper, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - *Governmental funds* are used to account for essentially the same functions reported as Governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statement focus on near-term inflows and outflows of spend-able resources, as well as on balance of spend-able resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects fund, both of which are considered to be major funds.

The County adopts an annual appropriated budget for its Governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds - The County maintains three enterprise funds as well as the Culpeper County Water and Sewer Authority, which is a blended component unit of the County. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer, landfill, and airport operations as well as the water and sewer authority operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, landfill, airport, and water and sewer authority activities all of which are considered to be major funds of the County.

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

Overview of the Financial Statements: (Continued)

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component unit School Board. The School Board does not issue separate financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. Culpeper County's assets exceeded liabilities by \$53,711,732 at year end.

The largest portion of the County's net assets (53 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Schedule of Assets, Liabilities and Net Assets For the Years Ended June 30, 2005 and 2004

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 42,105,044	\$ 32,719,230	\$ 1,341,315	\$ 718,385	\$ 43,446,359	\$ 33,437,615
Capital assets	<u>44,466,635</u>	<u>37,142,823</u>	<u>15,503,081</u>	<u>14,168,993</u>	<u>59,969,716</u>	<u>51,311,816</u>
Total assets	<u>\$ 86,571,679</u>	<u>\$ 69,862,053</u>	<u>\$ 16,844,396</u>	<u>\$ 14,887,378</u>	<u>\$ 103,416,075</u>	<u>\$ 84,749,431</u>
Long-term liabilities outstanding	\$ 38,343,127	\$ 30,805,461	\$ 2,719,652	\$ 2,759,408	\$ 41,062,779	\$ 33,564,869
Current liabilities	<u>8,209,880</u>	<u>6,566,118</u>	<u>431,684</u>	<u>275,446</u>	<u>8,641,564</u>	<u>6,841,564</u>
Total liabilities	<u>\$ 46,553,007</u>	<u>\$ 37,371,579</u>	<u>\$ 3,151,336</u>	<u>\$ 3,034,854</u>	<u>\$ 49,704,343</u>	<u>\$ 40,406,433</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 14,986,153	\$ 6,935,344	\$ 13,272,556	\$ 11,934,526	\$ 28,258,709	\$ 18,869,870
Restricted for:						
E-911	285,663	248,597	-	-	285,663	248,597
Unrestricted	<u>24,746,856</u>	<u>25,306,533</u>	<u>420,504</u>	<u>(82,002)</u>	<u>25,167,360</u>	<u>25,224,531</u>
Total net assets	<u>\$ 40,018,672</u>	<u>\$ 32,490,474</u>	<u>\$ 13,693,060</u>	<u>\$ 11,852,524</u>	<u>\$ 53,711,732</u>	<u>\$ 44,342,998</u>

An additional portion of the County's net assets (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$25,167,360) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

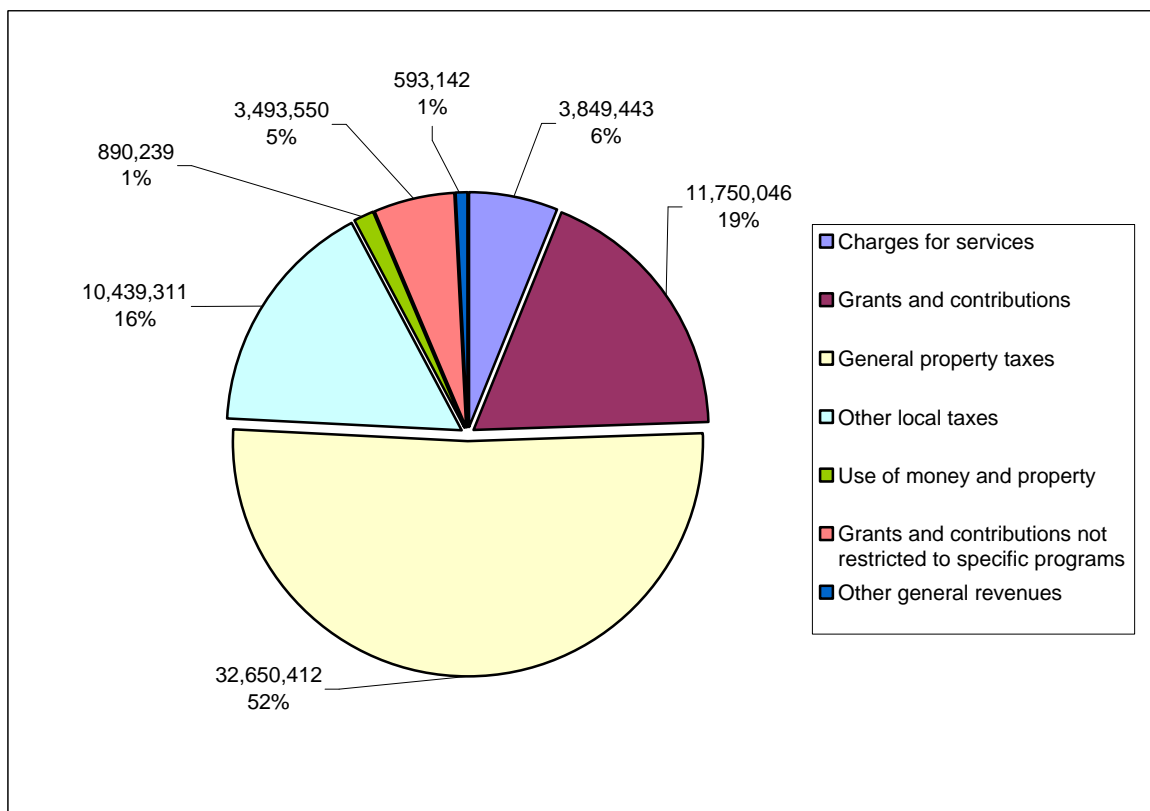
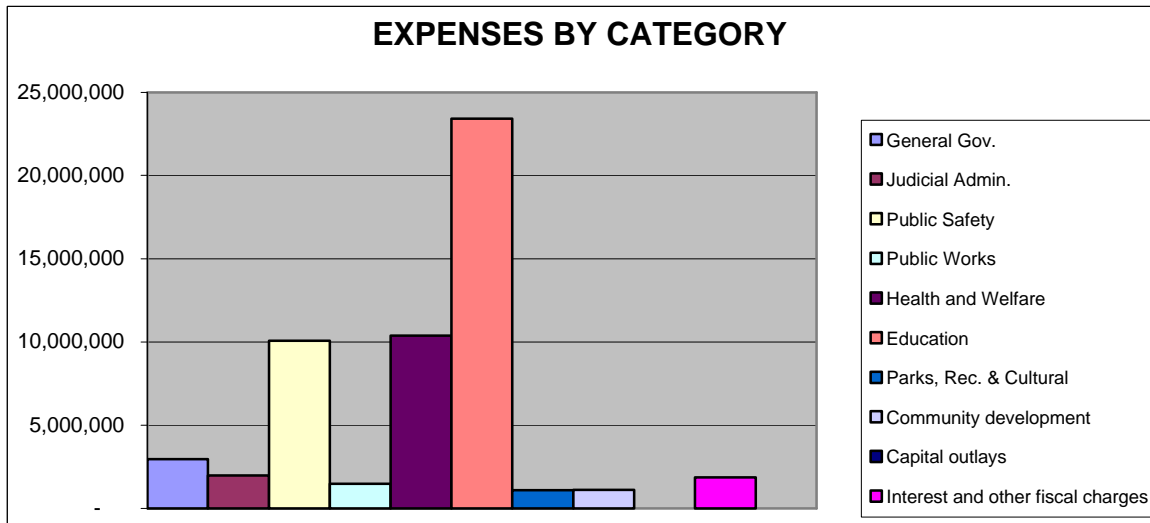
Overview of the Financial Statements: (Continued)

Governmental Activities - Governmental activities increased the County's net assets by \$7,605,384, thereby accounting for 87 percent of the total growth in the net assets of the County. Key elements of this increase are as follows:

Changes in Net Assets For the Years Ended June 30, 2005 and 2004						
	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 3,849,443	\$ 2,929,317	\$ 2,925,195	\$ 2,263,087	\$ 6,774,638	\$ 5,192,404
Operating grants and contributions	11,750,046	9,995,983	-	-	11,750,046	9,995,983
Capital grants and contributions	-	4,850	496,474	3,809,913	496,474	3,814,763
General revenues:						
General property taxes	32,650,412	29,451,312	-	-	32,650,412	29,451,312
Other local taxes	10,439,311	8,819,164	-	-	10,439,311	8,819,164
Use of money and property	890,239	342,699	21,465	8,565	911,704	351,264
C/VA non-categorical aid	3,493,550	3,454,276	-	-	3,493,550	3,454,276
Other general revenues	593,142	493,592	84,976	-	678,118	493,592
Total revenues	<u>\$ 63,666,143</u>	<u>\$ 55,491,193</u>	<u>\$ 3,528,110</u>	<u>\$ 6,081,565</u>	<u>\$ 67,194,253</u>	<u>\$ 61,572,758</u>
Expenses:						
General government administration	\$ 2,953,543	\$ 2,499,392	\$ -	\$ -	\$ 2,953,543	\$ 2,499,392
Judicial administration	1,969,364	1,740,818	-	-	1,969,364	1,740,818
Public safety	10,081,478	9,103,918	-	-	10,081,478	9,103,918
Public works	1,479,809	1,283,304	-	-	1,479,809	1,283,304
Health and welfare	10,379,264	10,142,768	-	-	10,379,264	10,142,768
Education	23,427,804	22,350,250	-	-	23,427,804	22,350,250
Parks, recreation, and cultural	1,100,173	1,095,318	-	-	1,100,173	1,095,318
Community development	1,120,188	956,662	-	-	1,120,188	956,662
Interest and other fiscal charges	1,862,068	1,770,141	-	-	1,862,068	1,770,141
Landfill	-	-	2,782,599	2,646,458	2,782,599	2,646,458
Water and Sewer	-	-	429,363	288,077	429,363	288,077
Airport	-	-	835,945	698,619	835,945	698,619
Water and Sewer Authority	-	-	563	-	563	-
Total expenses	<u>\$ 54,373,691</u>	<u>\$ 50,942,571</u>	<u>\$ 4,048,470</u>	<u>\$ 3,633,154</u>	<u>\$ 58,422,161</u>	<u>\$ 54,575,725</u>
Increase(decrease) in net assets before transfers	\$ 9,292,452	\$ 4,548,622	\$ (520,360)	\$ 2,448,411	\$ 8,772,092	\$ 6,997,033
Transfers	<u>(1,687,068)</u>	<u>(1,229,716)</u>	<u>1,687,068</u>	<u>1,229,716</u>	<u>-</u>	<u>-</u>
Increase in net assets	\$ 7,605,384	\$ 3,318,906	\$ 1,166,708	\$ 3,678,127	\$ 8,772,092	\$ 6,997,033
Net assets, July 1, 2004, as restated	<u>32,413,288</u>	<u>29,171,568</u>	<u>12,526,352</u>	<u>8,174,397</u>	<u>44,939,640</u>	<u>37,345,965</u>
Net assets, June 30, 2005	<u>\$ 40,018,672</u>	<u>\$ 32,490,474</u>	<u>\$ 13,693,060</u>	<u>\$ 11,852,524</u>	<u>\$ 53,711,732</u>	<u>\$ 44,342,998</u>

Overview of the Financial Statements: (Continued)

- Property taxes increased by \$3,199,100 (11 percent) during the year. Most of this increase is the product of general growth in assessments.
- Operating grants for governmental activities increased by \$1,754,063, mostly as a result of new grants awarded to support two of the County's functions: public safety and social services.



Overview of the Financial Statements: (Continued)

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities - Business-type activities increased the County's net assets by \$1,166,708, thereby accounting for 13 percent of the total growth in the net assets of the County. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by \$662,108 (29 percent) during the year. Most of this increase is due to general growth in demand for services.
- Transfers increased by \$457,352 (37 percent) during the year.

Financial Analysis of the County's Funds

As noted earlier, the County used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$36,587,801, an increase of \$8,472,527 in comparison with the prior year. Approximately seventy-eight percent of this total constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is dedicated for construction projects and subsequent expenditures to indicate that is not available for new spending because it has already been committed.

The general fund is the main operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$28,591,969, while total fund balance reached \$33,378,405, an increase from the prior year of \$7,937,122. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance was 54 percent of total general fund expenditures, while total fund balance represents 63 percent of the same amount.

The County's Capital Projects Fund balance increased \$535,405 during the year. The County issued total debt of \$9,885,000 during the year to fund \$9,408,000 of County projects and \$477,000 to fund various school projects. The Capital Projects fund had revenues of \$834,639 and transfers in totaling \$878,232 while it expended \$10,585,516 in various projects during the year. The ending fund balance in the Capital Project Fund was \$3,209,396.

Proprietary funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Airport Fund at the end of the year were \$9,417,329, an increase from the prior year of \$305,341. Charges for services increased \$112,731 and transfers in increased \$188,591 from prior year amounts.

Net assets of the Landfill Fund totaled \$1,284,650, an increase from prior year of \$715,054. Charges for services and transfers increased from the prior year by \$615,788 and \$369,008 respectively.

Financial Analysis of the County's Funds

The Water and Sewer fund other expenses increased from \$133,503 in 2004 to \$227,055 in 2005 due principally to continuing work on the County's water and sewer master plan. These expenses were funding form in transfers from the General Fund. Water and Sewer net assets decreased \$90,173 for the year ending June 30, 2005 and total \$2,754,595.

During the year the Board of Supervisors created the Water and Sewer Authority to account for water and sewer activities in the northern part of the County which we call Clevenger's Corner. During the year \$236,980 was contributed by the developer and \$328,508 of infrastructure costs were capitalized. At June 30, 2005 net assets totaled \$236,486.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$3,575,909 and can be briefly summarized as follows:

- \$1,711,595 in health and welfare
- \$538,623 in public safety
- \$186,985 in public works
- \$555,845 in education
- \$582,861 in other

Of this increase, \$1,289,799 was to be funded from intergovernmental revenues and \$186,175 from local revenues. The remaining \$2,099,935 was to be budgeted from available fund balance.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental and business type activities as of June 30, 2005 amounts to \$59,969,716 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

Additional information on the County's capital assets can be found in Note 5 of this report.

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$42,362,720. Of this amount \$31,897,196 represents debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e. Revenue bonds).

Legislation enacted during fiscal year ended June 20, 2002 requires that the Primary Government has assumed debt historically reported by the School Board. The legislation affects the reporting of local school capital assets as well.

Additional information on the County's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The fiscal health of Culpeper County has an effect on the levels of service that will be provided to the residents of the County. Culpeper's revenues continue to indicate a good local economy reflecting the fact that Culpeper is an attractive location for businesses and new residents. The County's growing community is evidenced by its increasing population, its commitment to maintaining a stable tax base fairly split between residential and commercial use, and its cost-effective approach towards service delivery.

Economic Factors and Next Year's Budgets and Rates: (Continued)

The economy has increased both on the state and federal level. The Consumer Price Index in the United States as of June 2005 had increased 2.5%. Low interest rates maintained by the Federal Reserve have continued to help housing starts, as have been evidenced locally. The continued growth in housing starts has been identified in all departments of Culpeper County with more demands from a growing community.

Based on available economic data, trends for the local economy have continued to show strength. The local unemployment rate was 3.0% at June 30, 2005, which is slightly higher than the 2.60% at June 30, 2004. The local unemployment rate compares favorable to the state and national rate of 3.8% and 5.2% respectively. The County's favorable employment conditions are supported by the continued growth of jobs over the last six years. According to the Virginia Employment Commission, the number of persons employed has increased from 16,171 in 1999 to 18,326 in 2005. In summary, local business indicators are continuing to indicate a good local economy.

All of these factors were considered in preparing the County's budget for the 2006 fiscal year.

Real estate tax assessments increased \$223,248,300, however personal property tax assessments increased \$71,225,922 in the calendar year 2005 in comparison to the 2004 calendar year. Because of these anticipated increases during the preparation of the fiscal year 2006 budget, the Board of Supervisors maintained the real estate rate at .89.

Requests for Information

This financial report is designed to provide a general overview of the County of Culpeper, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 302 N. Main Street, Culpeper, Virginia 22701.

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
June 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	School Board
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 37,330,162	\$ 1,488,733	\$ 38,818,895	\$ 962,189
Receivables (net of allowance for uncollectibles):				
Property taxes	982,640	-	982,640	-
Accounts receivable	696,291	172,811	869,102	-
Inventory	-	34,713	34,713	-
Due from primary government	-	-	-	3,661,592
Internal balances	407,776	(407,776)	-	-
Due from other governments	2,688,175	52,834	2,741,009	1,582,388
Total Current Assets	\$ 42,105,044	\$ 1,341,315	\$ 43,446,359	\$ 6,206,169
Noncurrent Assets				
Capital assets (net of depreciation):				
Land	\$ 2,060,756	\$ 1,155,993	\$ 3,216,749	\$ 200,151
Buildings and equipment	31,112,016	8,427,805	39,539,821	20,575,447
Construction in progress	11,293,863	5,919,283	17,213,146	3,345,874
Total Capital Assets	\$ 44,466,635	\$ 15,503,081	\$ 59,969,716	\$ 24,121,472
Total Assets	\$ 86,571,679	\$ 16,844,396	\$ 103,416,075	\$ 30,327,641
LIABILITIES				
Current Liabilities				
Accounts payable and other current liabilities	\$ 942,420	\$ 236,315	\$ 1,178,735	\$ 5,733,815
Reconciled overdraft	-	-	-	1,395,619
Deferred revenue	193,563	-	193,563	-
Due to component unit	3,661,592	-	3,661,592	-
Accrued interest payable	808,149	-	808,149	-
Current portion of long-term obligations	2,604,156	195,369	2,799,525	347,444
Total Current Liabilities	\$ 8,209,880	\$ 431,684	\$ 8,641,564	\$ 7,476,878
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	38,343,127	2,719,652	41,062,779	1,403,698
Total Liabilities	\$ 46,553,007	\$ 3,151,336	\$ 49,704,343	\$ 8,880,576
NET ASSETS				
Invested in capital assets, net of related debt	\$ 14,986,153	\$ 13,272,556	\$ 28,258,709	\$ 23,022,083
Restricted for:				
E-911	285,663	-	285,663	-
Unrestricted assets	24,746,856	420,504	25,167,360	(1,575,018)
Total Net Assets	\$ 40,018,672	\$ 13,693,060	\$ 53,711,732	\$ 21,447,065
Total Liabilities and Net Assets	\$ 86,571,679	\$ 16,844,396	\$ 103,416,075	\$ 30,327,641

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF CULPEPER, VIRGINIA

Statement of Activities
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,953,543	\$ -	\$ 472,252	\$ -
Judicial administration	1,969,364	443,567	566,048	-
Public safety	10,081,478	2,184,845	3,551,388	-
Public works	1,479,809	-	-	-
Health and welfare	10,379,264	1,085,833	6,963,769	-
Education	23,427,804	-	-	-
Parks, recreation, and cultural	1,100,173	133,158	151,407	-
Community development	1,120,188	2,040	45,182	-
Interest on long-term debt	1,862,068	-	-	-
Total government activities	\$ 54,373,691	\$ 3,849,443	\$ 11,750,046	\$ -
Business-type activities:				
Landfill	\$ 2,782,599	\$ 2,288,332	\$ -	\$ -
Water and sewer	429,363	99,073	-	-
Airport	835,945	537,790	-	496,474
Water and sewer authority	563	-	-	-
Total business-type activities	\$ 4,048,470	\$ 2,925,195	\$ -	\$ 496,474
Total primary government	\$ 58,422,161	\$ 6,774,638	\$ 11,750,046	\$ 496,474
COMPONENT UNIT:				
School Board	\$ 53,320,630	\$ 1,535,503	\$ 30,091,597	\$ -
General revenues:				
General property taxes				
Local sales and use taxes				
Consumer utility taxes				
E-911 taxes				
Taxes on recordation and wills				
Motor vehicle license taxes				
Other local taxes				
County contribution to School Board, unrestricted				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Gain(loss) on disposal of capital assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning, as restated				
Net assets - ending				

The accompanying notes to financial statements are an integral part of this statement.

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	School Board
\$ (2,481,291)	\$ -	\$ (2,481,291)	\$ -
(959,749)	-	(959,749)	-
(4,345,245)	-	(4,345,245)	-
(1,479,809)	-	(1,479,809)	-
(2,329,662)	-	(2,329,662)	-
(23,427,804)	-	(23,427,804)	-
(815,608)	-	(815,608)	-
(1,072,966)	-	(1,072,966)	-
(1,862,068)	-	(1,862,068)	-
<u>\$ (38,774,202)</u>	<u>\$ -</u>	<u>\$ (38,774,202)</u>	<u>\$ -</u>
\$ -	\$ (494,267)	\$ (494,267)	\$ -
-	(330,290)	(330,290)	-
-	198,319	198,319	-
-	(563)	(563)	-
<u>\$ -</u>	<u>\$ (626,801)</u>	<u>\$ (626,801)</u>	<u>\$ -</u>
<u>\$ (38,774,202)</u>	<u>\$ (626,801)</u>	<u>\$ (39,401,003)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,693,530)</u>
\$ 32,650,412	\$ -	\$ 32,650,412	\$ -
5,426,631	-	5,426,631	-
1,771,697	-	1,771,697	-
807,345	-	807,345	-
1,602,899	-	1,602,899	-
710,746	-	710,746	-
119,993	-	119,993	-
-	-	-	22,385,303
890,239	21,465	911,704	106,451
593,142	84,976	678,118	442,446
3,493,550	-	3,493,550	-
-	-	-	(493,620)
(1,687,068)	1,687,068	-	-
<u>\$ 46,379,586</u>	<u>\$ 1,793,509</u>	<u>\$ 48,173,095</u>	<u>\$ 22,440,580</u>
<u>\$ 7,605,384</u>	<u>\$ 1,166,708</u>	<u>\$ 8,772,092</u>	<u>\$ 747,050</u>
<u>32,413,288</u>	<u>12,526,352</u>	<u>44,939,640</u>	<u>20,700,015</u>
<u>\$ 40,018,672</u>	<u>\$ 13,693,060</u>	<u>\$ 53,711,732</u>	<u>\$ 21,447,065</u>

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Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 33,886,181	\$ 3,443,981	\$ 37,330,162
Receivables (net of allowances for uncollectibles):			
Taxes, including penalties	982,640	-	982,640
Accounts	676,006	20,285	696,291
Due from other funds	407,776	-	407,776
Due from other governmental units	<u>2,688,175</u>	<u>-</u>	<u>2,688,175</u>
Total assets	<u>\$ 38,640,778</u>	<u>\$ 3,464,266</u>	<u>\$ 42,105,044</u>
LIABILITIES			
Accounts payable	\$ 180,280	\$ 254,870	\$ 435,150
Accrued liabilities	507,270	-	507,270
Due to component unit	3,661,592	-	3,661,592
Deferred revenue	<u>913,231</u>	<u>-</u>	<u>913,231</u>
Total liabilities	<u>\$ 5,262,373</u>	<u>\$ 254,870</u>	<u>\$ 5,517,243</u>
FUND BALANCES			
Unreserved:			
Designated for subsequent expenditures	\$ 1,271,174	\$ -	\$ 1,271,174
Designated for capital projects	3,515,262	3,209,396	6,724,658
Unreserved	<u>28,591,969</u>	<u>-</u>	<u>28,591,969</u>
Total fund balances	<u>\$ 33,378,405</u>	<u>\$ 3,209,396</u>	<u>\$ 36,587,801</u>
Total liabilities and fund balances	<u>\$ 38,640,778</u>	<u>\$ 3,464,266</u>	

Detailed explanation of adjustments from fund statements to government-wide statement of net assets:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or expenditures in governmental funds. However, the statement of net assets includes those capital constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole.

44,466,635

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

(808,149)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance.

719,668

Long-term liabilities applicable to the locality's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets.

(40,947,283)

Net assets of General Government Activities

\$ 40,018,672

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances --
 Governmental Funds
 Year Ended June 30, 2005

	Governmental Fund Types		Total Governmental Funds
	General	Capital Projects	
Revenues:			
General property taxes	\$ 32,807,959	\$ -	\$ 32,807,959
Other local taxes	10,439,311	-	10,439,311
Permits, privilege fees and regulatory licenses	2,114,590	-	2,114,590
Fines and forfeitures	78,609	-	78,609
Revenue from use of money and property	762,401	127,838	890,239
Charges for services	1,656,244	-	1,656,244
Miscellaneous	250,094	343,048	593,142
Recovered costs	234,058	-	234,058
Intergovernmental:			
Commonwealth	9,437,555	-	9,437,555
Federal	5,442,238	363,803	5,806,041
Total revenues	<u>\$ 63,223,059</u>	<u>\$ 834,689</u>	<u>\$ 64,057,748</u>
Expenditures:			
Current:			
General government administration	\$ 2,819,676	\$ 28,581	\$ 2,848,257
Judicial administration	1,939,838	-	1,939,838
Public safety	9,887,081	5,680,745	15,567,826
Public works	908,636	685,397	1,594,033
Health and welfare	10,578,388	-	10,578,388
Education	20,663,339	-	20,663,339
Parks, recreation, and cultural	1,098,965	4,055,817	5,154,782
Community development	1,013,320	84,665	1,097,985
Debt service:			
Principal retirement	2,218,067	-	2,218,067
Interest and other fiscal charges	1,593,327	50,311	1,643,638
Total expenditures	<u>\$ 52,720,637</u>	<u>\$ 10,585,516</u>	<u>\$ 63,306,153</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 10,502,422</u>	<u>\$ (9,750,827)</u>	<u>\$ 751,595</u>
Other financing sources (uses):			
Issuance of debt	\$ -	\$ 9,408,000	\$ 9,408,000
Transfers in	-	878,232	878,232
Transfers (out)	(2,565,300)	-	(2,565,300)
Total other financing sources (uses)	<u>\$ (2,565,300)</u>	<u>\$ 10,286,232</u>	<u>\$ 7,720,932</u>
Changes in fund balances	\$ 7,937,122	\$ 535,405	\$ 8,472,527
Fund balances at beginning of year, as restated	25,441,283	2,673,991	28,115,274
Fund balances at end of year	<u>\$ 33,378,405</u>	<u>\$ 3,209,396</u>	<u>\$ 36,587,801</u>

The accompanying notes to financial statements are an integral part of this statement.

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
For the Year Ended June 30, 2005

		<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds	\$	8,472,527
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense as follows:		
Capital assets	\$ 10,426,952	
Depreciation expense	<u>(1,423,191)</u>	9,003,761
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to decrease net assets		(17,911)
Transfer of joint tenancy assets from Primary Government to the Component Unit		(1,708,605)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this adjustment consist of the change in deferred revenue - taxes.		(157,547)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Details of this adjustment are as follows:		
Principal retired on general obligation bonds	\$ 2,218,067	
Issuance of general obligation bonds	<u>(9,885,000)</u>	(7,666,933)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Change in accrued leave	\$ (148,045)	
Change in interest payable	<u>(171,863)</u>	<u>(319,908)</u>
Change in net assets of governmental activities	\$	<u><u>7,605,384</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Assets
Proprietary Funds
June 30, 2005

	<u>Landfill Fund</u>	<u>Water & Sewer Fund</u>	<u>Airport Fund</u>	<u>Water & Sewer Authority</u>	<u>Totals</u>
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 1,474,469	\$ -	\$ -	\$ 14,264	\$ 1,488,733
Receivables (net of allowance for uncollectibles):					
Accounts receivable	78,538	66,091	28,182	-	172,811
Due from other governments	-	-	52,834	-	52,834
Inventory	-	-	34,713	-	34,713
Total Current Assets	<u>\$ 1,553,007</u>	<u>\$ 66,091</u>	<u>\$ 115,729</u>	<u>\$ 14,264</u>	<u>\$ 1,749,091</u>
Noncurrent Assets					
Capital assets (net of depreciation):					
Land	\$ 401,073	\$ 235,200	\$ 519,720	\$ -	\$ 1,155,993
Construction in progress	-	-	5,590,775	328,508	5,919,283
Buildings, improvements and equipment	10,380	2,488,961	5,928,464	-	8,427,805
Total Capital Assets	<u>\$ 411,453</u>	<u>\$ 2,724,161</u>	<u>\$ 12,038,959</u>	<u>\$ 328,508</u>	<u>\$ 15,503,081</u>
Total Assets	<u>\$ 1,964,460</u>	<u>\$ 2,790,252</u>	<u>\$ 12,154,688</u>	<u>\$ 342,772</u>	<u>\$ 17,252,172</u>
LIABILITIES					
Current Liabilities					
Accounts payable and accrued expenses	\$ 10,055	\$ 35,248	\$ 84,726	\$ 106,286	\$ 236,315
Due to other funds	-	-	407,776	-	407,776
Current portion of long-term obligations	1,622	42	193,705	-	195,369
Total Current Liabilities	<u>\$ 11,677</u>	<u>\$ 35,290</u>	<u>\$ 686,207</u>	<u>\$ 106,286</u>	<u>\$ 839,460</u>
Noncurrent Liabilities					
Noncurrent portion of long-term obligations	<u>668,133</u>	<u>367</u>	<u>2,051,152</u>	<u>-</u>	<u>2,719,652</u>
Total Liabilities	<u>\$ 679,810</u>	<u>\$ 35,657</u>	<u>\$ 2,737,359</u>	<u>\$ 106,286</u>	<u>\$ 3,559,112</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 411,453	\$ 2,724,161	\$ 9,808,434	\$ 328,508	\$ 13,272,556
Unrestricted assets	<u>873,197</u>	<u>30,434</u>	<u>(391,105)</u>	<u>(92,022)</u>	<u>420,504</u>
Total Net Assets	<u>\$ 1,284,650</u>	<u>\$ 2,754,595</u>	<u>\$ 9,417,329</u>	<u>\$ 236,486</u>	<u>\$ 13,693,060</u>
Total Liabilities and Net Assets	<u>\$ 1,964,460</u>	<u>\$ 2,790,252</u>	<u>\$ 12,154,688</u>	<u>\$ 342,772</u>	<u>\$ 17,252,172</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Fund Net Assets --
 Proprietary Funds
 Year Ended June 30, 2005

	<u>Landfill Fund</u>	<u>Water & Sewer Fund</u>	<u>Airport Fund</u>	<u>Water & Sewer Authority</u>	<u>Totals</u>
Operating revenues:					
Charges for services	\$ 2,288,332	\$ 99,073	\$ 537,790	\$ -	\$ 2,925,195
Total operating revenues	\$ 2,288,332	\$ 99,073	\$ 537,790	\$ -	\$ 2,925,195
Operating expenses:					
Personal services	\$ 232,684	\$ 42,978	\$ 130,770	\$ -	\$ 406,432
Fringe benefits	57,164	13,072	29,828	-	100,064
Contractual services	2,429,672	65,452	80,051	-	2,575,175
Other charges	62,045	227,055	250,686	563	540,349
Depreciation	1,034	80,806	229,795	-	311,635
Total operating expenses	\$ 2,782,599	\$ 429,363	\$ 721,130	\$ 563	\$ 3,933,655
Operating income (loss)	\$ (494,267)	\$ (330,290)	\$ (183,340)	\$ (563)	\$ (1,008,460)
Nonoperating revenues (expenses):					
Interest income	\$ 14,549	\$ -	\$ 6,847	\$ 69	\$ 21,465
Interest expense	-	-	(114,815)	-	(114,815)
Gain on sale of land	-	-	84,976	-	84,976
Total nonoperating revenues	\$ 14,549	\$ -	\$ (22,992)	\$ 69	\$ (8,374)
Income (loss) before contributions and transfers	\$ (479,718)	\$ (330,290)	\$ (206,332)	\$ (494)	\$ (1,016,834)
Capital contributions and construction grants	\$ -	\$ -	\$ 259,494	\$ 236,980	\$ 496,474
Transfers:					
Transfers in	\$ 1,194,772	\$ 240,117	\$ 439,829	\$ -	\$ 1,874,718
Transfers (out)	-	-	(187,650)	-	(187,650)
Total transfers	\$ 1,194,772	\$ 240,117	\$ 252,179	\$ -	\$ 1,687,068
Change in net assets	\$ 715,054	\$ (90,173)	\$ 305,341	\$ 236,486	\$ 1,166,708
Net assets at beginning of year, as restated	569,596	2,844,768	9,111,988	-	12,526,352
Net assets at end of year	\$ 1,284,650	\$ 2,754,595	\$ 9,417,329	\$ 236,486	\$ 13,693,060

The accompanying notes to financial statements are an integral part of this statement.

Statement of Cash Flows --
Proprietary Funds
Year Ended June 30, 2005

	Landfill Fund	Water & Sewer Fund	Airport Fund	Water & Sewer Authority	Totals
Cash flows from operating activities:					
Receipts from customers and users	\$ 2,376,639	\$ 80,180	\$ 1,174,050	\$ -	\$ 3,630,869
Payments to suppliers	(2,560,216)	(275,632)	(376,251)	(563)	(3,212,662)
Payments to employees	(230,690)	(44,713)	(128,235)	-	(403,638)
Net cash provided by (used in) operating activities	\$ (414,267)	\$ (240,165)	\$ 669,564	\$ (563)	\$ 14,569
Cash flows from capital and related financing activities:					
Purchases of capital assets	\$ -	\$ -	\$ (746,059)	\$ (222,222)	\$ (968,281)
State and federal grants	-	-	259,494	-	259,494
Capital contributions	-	-	-	236,980	236,980
Interest expense	-	-	(114,815)	-	(114,815)
Proceeds from sale of land	-	-	187,650	-	187,650
Transfers in	-	-	439,829	-	439,829
Proceeds from note payable	-	-	150,000	-	150,000
Retirement of indebtedness	-	-	(153,943)	-	(153,943)
Net cash provided by (used in) capital and related financing activities	\$ -	\$ -	\$ 22,156	\$ 14,758	\$ 36,914
Cash flows from noncapital financing activities:					
Transfers in	\$ 1,194,772	\$ 240,117	\$ -	\$ -	\$ 1,434,889
Transfers (out)	-	-	(187,650)	-	(187,650)
(Decrease) in due to other funds	-	-	(510,917)	-	(510,917)
Net cash provided by (used in) noncapital and related financing activities	\$ 1,194,772	\$ 240,117	\$ (698,567)	\$ -	\$ 736,322
Cash flows from investing activities:					
Interest income	\$ 14,549	\$ -	\$ 6,847	\$ 69	\$ 21,465
Increase in cash and cash equivalents	\$ 795,054	\$ (48)	\$ -	\$ 14,264	\$ 809,270
Cash and cash equivalents at beginning of year	679,415	48	-	-	679,463
Cash and cash equivalents at end of year	\$ 1,474,469	\$ -	\$ -	\$ 14,264	\$ 1,488,733
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (494,267)	\$ (330,290)	\$ (183,340)	\$ (563)	\$ (1,008,460)
Adjustments to reconcile net loss to net cash provided by operations:					
Depreciation	\$ 1,034	\$ 80,806	\$ 229,795	\$ -	\$ 311,635
Changes in operating assets and liabilities:					
(Increase) decrease in accounts receivable	88,307	(18,893)	636,260	-	705,674
(Increase) in inventory	-	-	(8,417)	-	(8,417)
Increase (decrease) in accounts payable	(11,335)	29,947	(7,269)	-	11,343
Increase (decrease) in accrued leave	1,994	(1,735)	2,535	-	2,794
Total adjustments	\$ 80,000	\$ 90,125	\$ 852,904	\$ -	\$ 1,023,029
Net cash provided by (used in) operating activities	\$ (414,267)	\$ (240,165)	\$ 669,564	\$ (563)	\$ 14,569

The accompanying notes to financial statements are an integral part of this statement.

Statement of Fiduciary Net Assets --
Fiduciary Funds
At June 30, 2005

		<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$	198,531
Accounts receivable		<u>25,124</u>
Total assets	\$	<u><u>223,655</u></u>
LIABILITIES		
Amounts held for others	\$	158,400
Amounts held for inmates		10,814
Amounts held for social service clients		<u>54,441</u>
Total liabilities	\$	<u><u>223,655</u></u>

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005

Note 1—Summary of Significant Accounting Policies:

The County of Culpeper, Virginia was formed in 1749 and it is governed by an elected seven member Board of Supervisors. The Board of Supervisors is responsible for appointing the County Administrator. The County provides a full range of services for its citizens. These services include police and volunteer fire protection; sanitation services; recreational activities, cultural events, education, social services.

The financial statements of the County of Culpeper, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the County prepares and presents financial information.

GASB Statement No. 34 establishes requirements and a reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Statement of Net Assets - The Statement of Net Assets is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets, in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

Statement of Activities - The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many government's revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organizations governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Culpeper, Virginia (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Individual Component Unit Disclosures

Blended Component Units - Culpeper County Water and Sewer Authority - The Culpeper County Water and Sewer Authority serves all the citizens of the government and is governed by a board comprised of the government's elected supervisors. The rates for user charges and bond issuance authorizations are approved by the government's board. The Authority operates on a fiscal year which ends June 30. The Authority is presented as an enterprise fund in the County's financial statements for the fiscal year ended June 30, 2005.

Discretely Presented Component Units - The School Board members are elected and are responsible for the operations of the County's School System. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2005.

Other Related Organizations

Included in the County's Comprehensive Annual Financial Report

None

Excluded from the County's Comprehensive Annual Financial Report

The Piedmont Regional Control Board is considered a joint venture. The County School Boards for the localities of Culpeper, Orange, Madison & Rappahannock participate in supporting the Piedmont Regional Control Board for local residents. The Center provides vocational training to secondary and adult students. The Piedmont Regional Control Board is governed by an eight member board of trustees of which two are appointed by each of the participating localities. No one locality contributes more than 50% of the Board's funding.

Complete financial statements for the Center can be obtained from the County Administrative Offices located at 302 N. Main Street, Culpeper, Virginia 22701.

Rappahannock-Rapidan Planning District Commission

The Commission was created by resolution pursuant to state statute and is considered a jointly governed organization and therefore its operations are not included in the county's financial statements. The County appoints two of the 17 board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Individual Component Unit Disclosures: (Continued)

Rappahannock-Rapidan Community Services Board

The Board was created by resolution pursuant to state statute and is considered a jointly governed organization and therefore its operations are not included in the county's financial statements. The County appoints two of the 14 board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time other specific expenditures. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following major governmental funds.

a. General Fund

The General Fund is the primary operating fund of the County. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for government-wide reporting purposes.

b. Capital Projects Fund

The Capital Projects Fund (Capital Improvements) accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds. The capital projects fund is considered a major fund for government-wide reporting purposes.

2. Proprietary Funds - account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

3. Enterprise Funds

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The County reports the following major enterprise funds:

Water and Sewer Fund - This fund is used to account for sewage treatment plant, sewage pumping stations and collection systems as well as the water distribution system.

Landfill Fund - This fund is used to account for the activities of the County's landfill.

Airport Fund - This fund is used to account for the activities occurring at the County's Airport.

Water and Sewer Authority - This fund is used to account for the activities occurring at the Water and Sewer Authority.

4. Fiduciary Funds (Trust and Agency Funds) account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. The County's agency funds are the Special Welfare Fund, Sheriff Commissary Fund, Piedmont Tech Fund and Thrift Store.

E. Budgets and Budgetary Accounting

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however the School Board is authorized to transfer budgeted amount within the school system's categories.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Budgets and Budgetary Accounting: (Continued)

5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund and the Capital Projects Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. Several supplemental appropriations were necessary during the year and at year-end.
8. All budget data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County government and the School Board to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. No investments are valued at cost. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

F. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$266,196 at June 30, 2005 is composed solely of property taxes.

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable December 5th. The County bills and collects its own property taxes.

G. Inventory

Inventory is reported at cost.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2005 was immaterial.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20-40
Vehicles	5
Office and computer equipment	5
Buses	12

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

J. Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

J. Long-term Obligations: (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current services costs and amortization of prior service cost over a 30-year period. The County's policy is to fund pension costs as it accrues.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

Note 2—Deposits and Investments:

Deposits

All cash of the County and School Board Component Unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 2—Deposits and Investments:

Investments

Statutes authorize the County and School Board Component Unit to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The County does not have a policy related to credit risk of debt securities.

The County's rated debt investments as of June 30, 2005 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

Locality's Rate Debt Investments' Values			
Rated Debt Investments	Fair Quality Ratings		
	AAA	A-1+	A-1
STI Classic Institutional Municipal Money Market Mutual Fund	\$ 9,981,500	\$ -	\$ -
Local Government Investment Pool	17,141,861	-	-
Corporate Debt	-	918,430	-
Commercial Paper	-	-	4,870,585
State Non-Arbitrage Pool	3,736,485	-	-
Total	<u>\$ 30,859,846</u>	<u>\$ 918,430</u>	<u>\$ 4,870,585</u>

Interest Rate Risk

The County does not have a policy related to interest rate risk.

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Corporate Debt	\$ 918,430	\$ 918,430
Commercial Paper	\$ 4,870,585	\$ 4,870,585

External Investment Pools:

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair values of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 3—Due from Other Governments:

At June 30, 2005 the County and School Board have receivables from other governments as follows:

	Primary Government	Discretely Presented Component Unit School Board
Commonwealth of Virginia:		
Aviation grant	\$ 23,051	\$ -
Criminal justice services	5,921	-
Shared expenses	288,816	-
State sales taxes	-	927,701
Local sales taxes	1,173,026	-
Public assistance	123,636	-
Comprehensive services	377,410	-
Virginia Tobacco Settlement	7,867	-
Auto Rental Tax	2,025	-
PPTRA	58,313	-
Mobile Home Titling Tax	3,838	-
Federal Government:		
School funds	-	654,687
Public assistance	562,101	-
School food	-	-
Aviation grant	29,784	-
Criminal justice grants	26,553	-
Emergency services	50,527	-
DMV	8,141	-
Total	<u>\$ 2,741,009</u>	<u>\$ 1,582,388</u>

Note 4—Due To/from Primary Government/Component Unit:

Fund	Due from Primary Government	Due to Component Unit
General	\$ -	\$ 3,661,592
School	<u>3,661,592</u>	<u>-</u>
Total	<u>\$ 3,661,592</u>	<u>\$ 3,661,592</u>

The purpose of the interfund obligation between the County and School Board is to report the balance of local appropriations upspent at year-end due back to the respective funds.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2005:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,052,556	\$ 8,200	\$ -	\$ 2,060,756
Construction in Progress	<u>1,254,819</u>	<u>10,039,044</u>	<u>-</u>	<u>11,293,863</u>
Total capital assets not being depreciated	<u>\$ 3,307,375</u>	<u>\$ 10,047,244</u>	<u>\$ -</u>	<u>\$ 13,354,619</u>
Capital assets, being depreciated:				
Buildings	\$ 9,253,369	\$ 149,418	\$ -	\$ 9,402,787
Equipment	4,152,596	230,290	74,613	4,308,273
Jointly owned assets	<u>29,950,263</u>	<u>-</u>	<u>2,114,894</u>	<u>27,835,369</u>
Total capital assets being depreciated	<u>\$ 43,356,228</u>	<u>\$ 379,708</u>	<u>\$ 2,189,507</u>	<u>\$ 41,546,429</u>
Less accumulated depreciation for:				
Buildings	\$ 6,727,042	\$ 919,173	\$ 406,289	\$ 7,239,926
Equipment	<u>2,793,738</u>	<u>457,451</u>	<u>56,702</u>	<u>3,194,487</u>
Total accumulated depreciation	<u>\$ 9,520,780</u>	<u>\$ 1,376,624</u>	<u>\$ 462,991</u>	<u>\$ 10,434,413</u>
Total capital assets being depreciated, net	<u>\$ 33,835,448</u>	<u>\$ (996,916)</u>	<u>\$ 1,726,516</u>	<u>\$ 31,112,016</u>
Governmental activities capital assets, net	<u>\$ 37,142,823</u>	<u>\$ 9,050,328</u>	<u>\$ 1,726,516</u>	<u>\$ 44,466,635</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 5—Capital Assets: (Continued)**Enterprise Capital Assets:**

The following is a summary of changes in enterprise capital assets during the year:

	Restated Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Water and Sewer Fund:				
Capital assets, not being depreciated:				
Land	\$ 235,200	\$ -	\$ -	\$ 235,200
Capital assets, being depreciated:				
Sewer Plant	\$ 2,985,592	\$ -	\$ -	\$ 2,985,592
Equipment	57,913	-	-	57,913
Total capital assets being depreciated	\$ 3,043,505	\$ -	\$ -	\$ 3,043,505
Less accumulated depreciation for:				
Sewer Plant	\$ 465,861	\$ 75,015	\$ -	\$ 540,876
Equipment	7,877	5,791	-	13,668
Total accumulated depreciation	\$ 473,738	\$ 80,806	\$ -	\$ 554,544
Total capital assets being depreciated, net	\$ 2,569,767	\$ (80,806)	\$ -	\$ 2,488,961
Net capital assets	\$ 2,804,967	\$ (80,806)	\$ -	\$ 2,724,161
Landfill Fund				
Capital assets, not being depreciated:				
Land	\$ 401,073	\$ -	\$ -	\$ 401,073
Capital assets, being depreciated:				
Equipment	\$ 61,456	\$ -	\$ -	\$ 61,456
Total capital assets being depreciated	\$ 61,456	\$ -	\$ -	\$ 61,456
Less accumulated depreciation for:				
Equipment	\$ 50,042	\$ 1,034	\$ -	\$ 51,076
Total capital assets being depreciated, net	\$ 11,414	\$ (1,034)	\$ -	\$ 10,380
Net capital assets	\$ 412,487	\$ (1,034)	\$ -	\$ 411,453

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 5—Capital Assets: (Continued)**Enterprise Capital Assets: (Continued)**

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Airport Fund:				
Capital assets, not being depreciated:				
Land	\$ 622,394	\$ -	\$ 102,674	\$ 519,720
Construction in Progress	<u>5,164,184</u>	<u>426,591</u>	<u>-</u>	<u>5,590,775</u>
Total capital assets, not being depreciated	<u>\$ 5,786,578</u>	<u>\$ 426,591</u>	<u>\$ 102,674</u>	<u>\$ 6,110,495</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,623,815	\$ 304,000	\$ -	\$ 6,927,815
Equipment	<u>54,615</u>	<u>15,470</u>	<u>-</u>	<u>70,085</u>
Total capital assets being depreciated	<u>\$ 6,678,430</u>	<u>\$ 319,470</u>	<u>\$ -</u>	<u>\$ 13,108,395</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 816,747	\$ 220,663	\$ -	\$ 1,037,410
Equipment	<u>22,894</u>	<u>9,132</u>	<u>-</u>	<u>32,026</u>
Total accumulated depreciation	<u>\$ 839,641</u>	<u>\$ 229,795</u>	<u>\$ -</u>	<u>\$ 1,069,436</u>
Total capital assets being depreciated, net	<u>\$ 5,838,789</u>	<u>\$ 89,675</u>	<u>\$ -</u>	<u>\$ 5,928,464</u>
Net capital assets	<u>\$ 11,625,367</u>	<u>\$ 516,266</u>	<u>\$ 102,674</u>	<u>\$ 12,038,959</u>
Water and Sewer Authority				
Capital assets, not being depreciated:				
Construction in Progress	\$ -	\$ 328,508	\$ -	\$ 328,508
Net capital assets	<u>\$ -</u>	<u>\$ 328,508</u>	<u>\$ -</u>	<u>\$ 328,508</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 5—Capital Assets: (Continued)

The following is a summary of changes in School Board capital assets during the year:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Capital assets, not being depreciated:				
Land	\$ 200,151	\$ -	\$ -	\$ 200,151
Construction in Progress	<u>244,950</u>	<u>3,190,924</u>	<u>90,000</u>	<u>3,345,874</u>
Total capital assets, not being depreciated	<u>\$ 445,101</u>	<u>\$ 3,190,924</u>	<u>\$ 90,000</u>	<u>\$ 3,546,025</u>
Capital assets, being depreciated:				
Buildings	\$ 21,090,272	\$ 128,584	\$ 781,655	\$ 20,437,201
Land improvements	1,246,195	100,000	-	1,346,195
Equipment	10,753,612	1,063,627	479,572	11,337,667
Jointly owned assets	<u>5,582,758</u>	<u>2,114,894</u>	<u>-</u>	<u>7,697,652</u>
Total capital assets being depreciated	<u>\$ 38,672,837</u>	<u>\$ 3,407,105</u>	<u>\$ 1,261,227</u>	<u>\$ 40,818,715</u>
Less accumulated depreciation for:				
Buildings	\$ 12,313,727	\$ 1,052,949	\$ 288,035	\$ 13,078,641
Equipment	<u>6,518,408</u>	<u>1,125,791</u>	<u>479,572</u>	<u>7,164,627</u>
Total accumulated depreciation	<u>\$ 18,832,135</u>	<u>\$ 2,178,740</u>	<u>\$ 767,607</u>	<u>\$ 20,243,268</u>
Total capital assets being depreciated, net	<u>\$ 19,840,702</u>	<u>\$ 1,228,365</u>	<u>\$ 493,620</u>	<u>\$ 20,575,447</u>
School Board capital assets, net	<u><u>\$ 20,285,803</u></u>	<u><u>\$ 4,419,289</u></u>	<u><u>\$ 583,620</u></u>	<u><u>\$ 24,121,472</u></u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 5—Capital Assets: (Continued)

Capital assets were restated to reflect adjustments to actual inventory adjustments at June 30, 2004 as follows:

	Balance June 30, 2004	Restatement	Restated Balance July 1, 2004
Water and Sewer Fund:			
Capital assets, not being depreciated:			
Land	\$ 235,200	\$ -	\$ 235,200
Capital assets, being depreciated:			
Utility Plant	\$ 2,215,503	\$ 770,089	\$ 2,985,592
Equipment	57,913	-	57,913
Total capital assets being depreciated	\$ 2,273,416	\$ 770,089	\$ 3,043,505
Less accumulated depreciation for:			
Utility Plant	\$ 369,600	\$ 96,261	\$ 465,861
Equipment	7,877	-	7,877
Total accumulated depreciation	\$ 377,477	\$ 96,261	\$ 473,738
Total capital assets being depreciated, net	\$ 1,895,939	\$ 673,828	\$ 2,569,767
Net capital assets	\$ 2,131,139	\$ 673,828	\$ 2,804,967

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 73,793
Judicial administration	25,116
Public safety	394,958
Public works	101,868
Health and welfare	11,855
Education	695,884
Parks, recreation and cultural	51,320
Community development	<u>21,830</u>
Total governmental activities	\$ <u><u>1,376,624</u></u>
Enterprise Funds:	
Landfill	\$ 1,034
Water & sewer	80,806
Airport	<u>229,795</u>
Total enterprise funds	\$ <u><u>311,635</u></u>
Component Unit-School Board	\$ <u><u>1,772,451</u></u>
Depreciation Expense	\$ 1,772,451
Joint tenancy transfer of accumulated depreciation	<u>406,289</u>
Total accumulated depreciation, page 41	\$ <u><u>2,178,740</u></u>

Note 6—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$913,231 is comprised of the following:

A. Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$719,668 at June 30, 2005.

B. Prepaid Property Taxes

Property taxes due subsequent to June 30, 2005 but paid in advance by the taxpayers totaled \$193,563 at June 30, 2005.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 7—Long-Term Obligations:**Primary Government:**

The following is a summary of changes in long-term obligation transactions for the fiscal year ending June 30, 2005:

	<u>Amounts Payable at July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2005</u>	<u>Amounts Due Within One Year</u>
Governmental Funds:					
School general obligations bonds	\$ 30,615,263	\$ -	\$ 2,155,894	\$ 28,459,369	\$ 2,146,048
Less deferred amount on refunding	<u>(617,298)</u>	<u>-</u>	<u>(46,567)</u>	<u>(570,731)</u>	<u>(46,120)</u>
Total School general obligation bonds	\$ 29,997,965	\$ -	\$ 2,109,327	\$ 27,888,638	\$ 2,099,928
Compensated absences payable	1,087,773	271,943	123,898	1,235,818	123,582
Lease revenue bonds	-	8,385,000	-	8,385,000	263,612
General obligations bonds	<u>2,000,000</u>	<u>1,500,000</u>	<u>62,173</u>	<u>3,437,827</u>	<u>117,034</u>
Total Governmental Funds	<u>\$ 33,085,738</u>	<u>\$ 10,156,943</u>	<u>\$ 2,295,398</u>	<u>\$ 40,947,283</u>	<u>\$ 2,604,156</u>

Note: \$7,908,000 of the lease revenue bonds are recorded in the County Capital Projects Fund and \$477,000 are recorded in the School Capital Projects Fund.

	<u>Amounts Payable at July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2005</u>	<u>Amounts Due Within One Year</u>
Enterprise Funds:					
Compensated absences payable	\$ 28,170	\$ 7,043	\$ 4,247	\$ 30,966	\$ 3,097
Lease revenue bonds	2,234,467	-	153,943	2,080,524	162,272
Notes Payable	-	150,000	-	150,000	30,000
Landfill closure and post-closure costs	<u>653,531</u>	<u>-</u>	<u>-</u>	<u>653,531</u>	<u>-</u>
Total Enterprise Funds	<u>\$ 2,916,168</u>	<u>\$ 157,043</u>	<u>\$ 158,190</u>	<u>\$ 2,915,021</u>	<u>\$ 195,369</u>
Total Primary Government	<u>\$ 36,001,906</u>	<u>\$ 10,313,986</u>	<u>\$ 2,453,588</u>	<u>\$ 43,862,304</u>	<u>\$ 2,799,525</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 7—Long-Term Obligations: (Continued)**Primary Government: (Continued)**

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Lease Revenue Bonds		School General Obligation Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 263,612	\$ 345,011	\$ 2,146,048	\$ 1,386,631	\$ 117,034	\$ 137,990
2007	313,418	295,205	2,142,431	1,267,029	128,877	126,148
2008	325,025	283,598	2,194,054	1,147,988	133,867	121,156
2009	337,063	271,560	2,223,838	1,024,204	139,052	115,971
2010	349,548	259,076	2,215,845	899,208	144,438	110,585
2011	362,493	246,130	1,692,635	793,984	150,034	104,990
2012	375,919	232,704	1,649,928	706,959	155,846	99,178
2013	389,842	218,781	1,550,230	626,808	161,882	93,141
2014	404,280	204,343	1,587,700	546,651	168,154	86,870
2015	419,253	189,370	1,625,716	464,061	174,667	80,356
2016	434,781	173,842	1,653,310	387,296	181,434	73,590
2017	450,884	157,739	1,686,512	309,343	188,462	66,561
2018	467,583	141,040	1,287,352	241,742	195,764	59,260
2019	484,901	123,722	1,318,862	184,385	203,348	51,676
2020	502,860	105,763	1,355,082	125,669	211,226	43,798
2021	521,485	87,139	1,387,506	72,947	219,410	35,615
2022	540,799	67,825	742,320	18,929	227,910	27,114
2023	560,827	47,795	-	-	236,740	18,284
2024	581,599	27,024	-	-	245,913	9,111
2025	298,828	5,483	-	-	53,769	1,006
Total	\$ <u>8,385,000</u>	\$ <u>3,483,150</u>	\$ <u>28,459,369</u>	\$ <u>10,203,834</u>	\$ <u>3,437,827</u>	\$ <u>1,462,400</u>

Debt service requirements for general obligation bonds and other long-term obligations are met by the General Fund. The County retains the liability for the portion of general obligation bonds issued to fund capital projects of the School Board.

General obligation bonds are direct obligations and pledge the full faith and credit of the County.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 7—Long-Term Obligations: (Continued)**Primary Government: (Continued)****Enterprise:**

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Revenue Bonds		Note Payable
	Principal	Interest	Principal
2006	\$ 162,272	\$ 108,167	\$ 30,000
2007	171,051	99,151	30,000
2008	180,304	89,647	30,000
2009	190,059	79,628	30,000
2010	200,341	69,067	30,000
2011	211,180	57,961	-
2012	222,604	46,202	-
2013	234,647	33,833	-
2014	247,342	20,796	-
2015	260,724	7,053	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
Total	\$ <u>2,080,524</u>	\$ <u>611,505</u>	\$ <u>150,000</u>

Note: Any imputed interest on this note is not material to the financial statements.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
General Fund:		
<u>Lease Revenue Bonds:</u>		
\$8,385,000 IDA Lease Revenue Bonds Series 2004 issued November 29, 2004 maturing semi-annually through July 15, 2024, interest payable semi-annually at 3.67%	\$ 8,385,000	\$ 263,612
<u>County General Obligation Bonds:</u>		
\$2,000,000 General Obligation Bonds Series 2003 issued December 19, 2003 maturing semi-annually through January 15, 2024, interest payable semi-annually at 3.91%	\$ 1,937,827	\$ 70,386
\$1,500,000 General Obligation Bonds Series 2004 issued November 29, 2004 maturing semi-annually through July 15, 2024, interest payable semiannually at 3.74%	1,500,000	46,648
Total County general obligation bonds	\$ 3,437,827	\$ 117,034
<u>School General Obligation Bonds:</u>		
\$13,025,026 Virginia Public School Authority Bonds Series 2001B, issued November 15, 2001, maturing annually through July 15, 2021, interest payable semi-annually at 4.57%	\$ 11,234,508	\$ 601,278
\$12,000,000 Virginia Public School Authority Bonds 1994SA, issued April 1, 1994, to refund 1989B and 1990A maturing annually through December 15, 2009, interest payable semi-annually at rates from 7.000% to 7.225%	2,870,000	585,000
\$1,500,000 Virginia Public School Authority Bonds 1991A, issued May 1, 1991, maturing annually through December 15, 2010, interest payable semi-annually at rates from 6.1% to 8.1%	465,000	70,000
\$2,069,507 Virginia Public School Authority Bonds 1991B, issued July 1, 1991, maturing annually through July 15, 2011, interest payable semi-annually at rates from 4.85% to 6.60%	805,861	107,770

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

General Fund: (Continued)	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>School General Obligation Bonds: (Continued)</u>		
\$2,675,000 Virginia Public School Authority Bonds 1996A, issued May 1, 1996, maturing annually through January 15, 2017, interest payable semi-annually at rates ranging from 4.6% to 6.1%	\$ 1,620,000	\$ 135,000
\$6,000,000 Virginia Public School Authority Bonds 1996B, issued November 14, 1996, maturing annually through July 15, 2016, interest payable semi-annually at rates ranging from 5.1% to 5.255%	3,600,000	300,000
\$8,325,000 Series 2000, issued August 10, 2000, accruing principal payments on this issue due in various annual installments through January 15, 2014, interest payable semi-annually at 5.33%	3,310,000	305,000
\$4,613,000 General Obligation Refunding Bond, Series 2003 dated August 6, 2003, principal payable annually in various incremental amounts through January 15, 2021, interest payable semiannually at 7.35%	<u>4,554,000</u>	<u>42,000</u>
Total school general obligation bonds	\$ <u>28,459,369</u>	\$ <u>2,146,048</u>
Compensated absences	\$ <u>1,235,818</u>	\$ <u>123,582</u>
Total long-term obligations	\$ 41,518,014	\$ 2,650,276
Less deferred amount on refunding bonds	<u>(570,731)</u>	<u>(46,120)</u>
Net long-term obligations	<u><u>\$ 40,947,283</u></u>	<u><u>\$ 2,604,156</u></u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Enterprise Funds:		
<u>Airport Revenue Bond:</u>		
\$2,835,000 revenue bonds series 1999 issued December 15, 1999, payable in annual principal installments ranging from \$131,436 to \$260,723 through July 15, 2014, interest payable semiannually at 5.41%	\$ 2,080,524	\$ 162,272
 \$150,000 note payable issued October 7, 2004, payable in annual principal installments of \$30,000 through October 1, 2009	 150,000	 30,000
Compensated absences	30,966	3,097
Landfill postclosure costs	<u>653,531</u>	<u>-</u>
Total enterprise obligations	<u>\$ 2,915,021</u>	<u>\$ 195,369</u>

Component Unit School Board:

The following is summary of changes in long-term obligation transactions for fiscal year ending June 30, 2005.

	<u>Amounts Payable July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable June 30, 2005</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable	\$ 565,635	\$ 141,409	\$ 55,291	\$ 651,753	\$ 65,175
Capital lease	<u>609,904</u>	<u>730,562</u>	<u>241,077</u>	<u>1,099,389</u>	<u>282,269</u>
Total	<u>\$ 1,175,539</u>	<u>\$ 871,971</u>	<u>\$ 296,368</u>	<u>\$ 1,751,142</u>	<u>\$ 347,444</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 7—Long-Term Obligations: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Capital Lease	
	Principal	Interest
2006	\$ 282,269	\$ 25,670
2007	289,739	18,199
2008	297,409	10,530
2009	190,966	3,580
2010	39,006	182
Total	\$ 1,099,389	\$ 58,161

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>
<u>Capital Leases:</u>	
\$711,153 capital lease for school buses payable in monthly installments of \$12,599 through September 26, 2008. Interest payable at 2.43%	\$ 472,006
\$730,562 capital lease for school buses payable in monthly installments of \$13,062 through September 14, 2009. Interest payable 2.80%	<u>627,383</u>
Total Capital Leases	\$ 1,099,389
Compensated absences	<u>651,753</u>
Total long-term obligations	<u>\$ 1,751,142</u>

Note 8—Landfill Closure and Postclosure Care Cost:

The County owns a landfill site and began collecting tipping fees based upon the source of the waste as of July 1, 1994. The County maintains a contract with an independent contractor for operations of the landfill; however, the County is responsible for landfill closure and postclosure costs.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 8—Landfill Closure and Postclosure Care Cost: (Continued)

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$653,531 reported as landfill closure and postclosure care liability at June 30, 2005, represents the cumulative amount reported based on the use of 100% percent of the estimated capacity of the landfill. The County has closed the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from tipping fee revenues and from any funds accumulated for this purpose in the County Landfill Fund.

The County has demonstrated financial assurance requirements for closure, post-closure care and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

Note 9—Commitments and Contingencies:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States and Local Governments and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 10—Defined Benefit Pension Plan:

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 10—Defined Benefit Pension Plan: (Continued)

A. Plan Description: (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be and has been assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County and School Board non-professional employee contribution rates for the fiscal year ended 2005 were 7.50% and 3.00% of annual covered payroll, respectively.

The School Board's contribution for professional employees were \$1,672,604, \$966,670 and \$884,427 to the teacher cost-sharing pool for the fiscal years ended June 30, 2005, 2004 and 2003 respectively and these contributions represented 6.03%, 3.77% and 3.77% respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal 2005, the County's annual pension cost of \$855,349 was equal to the County's required and actual contributions. The required contributions were determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method.

In fiscal 2005, the School Board's annual pension cost for the non-professional employees was \$61,915 which was equal to the Board's required and actual contributions. The required contributions were determined as a part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method.

	<u>County</u>	<u>Non-Professional School Board</u>
Valuation date	June 30, 2004	June 30, 2004
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth rate	3%	3%
Remaining amortization period	11 Years	5 Years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return ¹	8.00%	8.00%
Projected salary increases: ¹		
Non LEO Employees	4.25% to 6.10%	4.25% to 6.10%
LEO Employees	4.50% to 5.75%	4.50% to 5.75%
Cost-of-living adjustments	3.0%	3.0%

¹ Includes inflation at 3%

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 10—Defined Benefit Pension Plan: (Continued)

Trend information for the County and School Board:

<u>Fiscal Year Ending</u>		<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>		<u>Net Pension Obligation</u>
County:					
June 30, 2005	\$	855,349	100%	\$	-
June 30, 2004		429,550	100%		-
June 30, 2003		357,092	100%		-
School Board:					
Non-professional:					
June 30, 2005	\$	61,915	100%	\$	-
June 30, 2004		18,764	100%		-
June 30, 2003		17,882	100%		-

(1) Employer portion only

Note 11—Risk Management:

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance.

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of losses. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 12—Litigation:

On July 3, 2003 three related land use lawsuits in the amount of \$25,000,000 were filed by a developer regarding the denial of various preliminary site plans. The County's relevant coverage for suits of this nature totals \$3,000,000. All three cases have been tried and one of the three cases has been dismissed. The Judge ordered in favor of the Plaintiff in Case 1 and in Case 2. However no damages have been awarded. Solely equitable relief was granted in the Case 1. All three cases have been appealed to and accepted by the Virginia Supreme Court.

At June 30, 2005, there were no other matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

Note 13—Expenditures and Appropriations:

The following funds had expenditures which exceeded appropriations at June 30, 2005:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Cafeteria Fund	\$ <u>2,261,222</u>	\$ <u>1,800,000</u>	\$ <u>461,222</u>

Note 14—Fund with Deficit Fund Balance:

The following fund has a deficit fund balance at June 30, 2005:

<u>Fund</u>	<u>Amount</u>
School Capital Projects Fund	\$ <u>(1,730,560)</u>

This deficit balance is due to architectural fees for the new high school paid in fiscal year 2005. In fiscal year 2006, the county issued \$54,200,000 bonds and \$7,500,000 in short-term notes to finance this project.

Note 15—Interfund Obligations/Transfers:

Interfund obligations at June 30, 2005, consisted of the following:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Primary Government:		
General Fund	\$ 407,776	\$ -
Airport Fund	<u>-</u>	<u>407,776</u>
Total	\$ <u>407,776</u>	\$ <u>407,776</u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 15—Interfund Obligations/Transfers: (Continued)

The purpose of interfund balances is to cover cash overdrafts at year-end.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 2,565,300
Landfill Fund	1,194,772	-
Water & Sewer Fund	240,117	-
County Capital Improvements Fund	878,232	-
Airport Fund	439,829	187,650
Total	<u>\$ 2,752,950</u>	<u>\$ 2,752,950</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 16—Surety Bonds:

	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	
Patricia Payne, Clerk of the Circuit Court	\$ 25,000
David L. DeJarnette, Treasurer	400,000
Terry Yowell, Commissioner of the Revenue	3,000
H. Lee Hart, Sheriff	30,000
Above constitutional officers' employees - blanket bond	50,000
Aetna Casualty and Surety Company - Surety	
Calvin Coleman, Director of the Department of Social Services	
James C. Lee, Supervisor	100,000
William C. Chase, Supervisor	1,000
Steven L. Walker, Supervisor	1,000
Steven E. Nixon, Supervisor	1,000
John F. Coates, Supervisor	1,000
Sue D. Hansohn, Supervisor	1,000
Bradley C. Rosenberger, Supervisor	1,000

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 17—Restatement of Fund Balance:

The Fund balance at June 30, 2004 for the following funds were restated as follows:

	<u>General Fund</u>	<u>School Cafeteria Fund</u>
Balance June 30, 2004	\$ 25,518,469	\$ 709,481
Adjustment for prior year receivables	<u>(77,186)</u>	<u>31,223</u>
Fund balance as restated	<u>\$ 25,441,283</u>	<u>\$ 740,704</u>

Note 18—Restatement of Net Assets:

Net assets at June 30, 2004 for the following funds were restated as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>School Board</u>
Balance June 30, 2004	\$ 32,490,474	\$ 11,852,524	\$ 20,668,792
Adjustment for prior year receivables	(77,186)	-	31,223
Utility Plant	<u>-</u>	<u>673,828</u>	<u>-</u>
Total	<u>\$ 32,413,288</u>	<u>\$ 12,526,352</u>	<u>\$ 20,700,015</u>

Note 19—Subsequent Events:

In September 2005, the Board of Supervisors authorized participation in IDA Lease Revenue Bonds for \$54,200,000. Proceeds of bonds issued will be used to finance the new high school construction.

In September 2005, Board of Supervisors authorized the issuance of \$7,500,000 in short-term notes. Proceeds of the notes issued will be used to finance the new high school construction.

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General Fund
 Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
General property taxes	\$ 34,726,439	\$ 34,726,439	\$ 32,807,959	\$ (1,918,480)
Other local taxes	8,131,081	8,131,081	10,439,311	2,308,230
Permits, privilege fees and regulatory licenses	907,850	929,609	2,114,590	1,184,981
Fines and forfeitures	80,000	80,000	78,609	(1,391)
Revenue from use of money and property	303,100	303,100	762,401	459,301
Charges for services	904,180	959,214	1,656,244	697,030
Miscellaneous	190,289	241,907	250,094	8,187
Recovered costs	274,039	284,039	234,058	(49,981)
Intergovernmental:				
Commonwealth	9,875,248	10,257,798	9,437,555	(820,243)
Federal	2,193,166	3,100,415	5,442,238	2,341,823
Total revenues	<u>\$ 57,585,392</u>	<u>\$ 59,013,602</u>	<u>\$ 63,223,059</u>	<u>\$ 4,209,457</u>
Expenditures:				
Current:				
General government administration:				
Legislative:				
Board of supervisors	<u>\$ 196,021</u>	<u>\$ 252,266</u>	<u>\$ 216,289</u>	<u>\$ 35,977</u>
General and financial administration:				
County administration	\$ 293,565	\$ 267,227	\$ 255,878	\$ 11,349
County attorney	205,627	201,528	195,152	6,376
Human resources	165,610	184,704	164,277	20,427
Procurement	84,132	92,676	86,018	6,658
Auditor	42,500	51,250	51,250	-
Commissioner of the Revenue	512,923	741,137	575,810	165,327
Treasurer	443,665	453,665	392,197	61,468
Department of finance and budget	293,491	298,355	285,468	12,887
Information systems	520,014	555,250	432,743	122,507
Other general and financial administration	<u>-</u>	<u>37,904</u>	<u>37,737</u>	<u>167</u>
Total general and financial administration	<u>\$ 2,561,527</u>	<u>\$ 2,883,696</u>	<u>\$ 2,476,530</u>	<u>\$ 407,166</u>
Board of Elections:				
Electoral board and officials	\$ 53,280	\$ 53,280	\$ 32,979	\$ 20,301
Registrar	<u>96,937</u>	<u>96,937</u>	<u>93,878</u>	<u>3,059</u>
Total board of elections	<u>\$ 150,217</u>	<u>\$ 150,217</u>	<u>\$ 126,857</u>	<u>\$ 23,360</u>
Total general government administration	<u>\$ 2,907,765</u>	<u>\$ 3,286,179</u>	<u>\$ 2,819,676</u>	<u>\$ 466,503</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General Fund
 Year Ended June 30, 2005 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Expenditures:				
Judicial administration:				
Courts:				
Circuit court	\$ 74,732	\$ 74,732	\$ 62,002	\$ 12,730
Special magistrates	3,650	3,650	2,898	752
Clerk of the circuit court	530,435	580,390	518,552	61,838
Law library	18,000	44,073	26,174	17,899
Victim assistance program	75,413	74,323	73,290	1,033
Combined court	28,785	28,785	20,664	8,121
Sheriff	466,094	501,094	485,234	15,860
Criminal justice services	226,923	226,923	225,667	1,256
Commissioner of accounts	1,080	1,080	678	402
Total courts	<u>\$ 1,425,112</u>	<u>\$ 1,535,050</u>	<u>\$ 1,415,159</u>	<u>\$ 119,891</u>
Commonwealth's attorney:				
Commonwealth's attorney	<u>\$ 531,877</u>	<u>\$ 535,109</u>	<u>\$ 524,679</u>	<u>\$ 10,430</u>
Total judicial administration	<u>\$ 1,956,989</u>	<u>\$ 2,070,159</u>	<u>\$ 1,939,838</u>	<u>\$ 130,321</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,395,134	\$ 3,720,083	\$ 3,150,436	\$ 569,647
EMS council	15,400	15,400	15,400	-
IPPO grant	26,250	26,250	26,250	-
PO Family support grant	46,593	45,629	11,642	33,987
Other law enforcement and traffic control	451,705	499,577	467,640	31,937
E-911	1,230,472	1,272,372	1,005,619	266,753
Total law enforcement and traffic control	<u>\$ 5,165,554</u>	<u>\$ 5,579,311</u>	<u>\$ 4,676,987</u>	<u>\$ 902,324</u>
Fire and rescue services:				
Fire and rescue	\$ 1,168,632	\$ 1,170,576	\$ 1,156,087	\$ 14,489
State forest fire extinction	5,282	5,282	5,281	1
Total fire and rescue services	<u>\$ 1,173,914</u>	<u>\$ 1,175,858</u>	<u>\$ 1,161,368</u>	<u>\$ 14,490</u>
Correction and detention:				
Sheriff	\$ 2,088,015	\$ 2,062,324	\$ 1,972,495	\$ 89,829
Outside jail services	150,000	120,000	63,984	56,016
Probation office	185,650	186,614	173,545	13,069
Total correction and detention	<u>\$ 2,423,665</u>	<u>\$ 2,368,938</u>	<u>\$ 2,210,024</u>	<u>\$ 158,914</u>
Inspections:				
Building	<u>\$ 698,526</u>	<u>\$ 866,374</u>	<u>\$ 800,024</u>	<u>\$ 66,350</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General Fund
 Year Ended June 30, 2005 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Expenditures: (continued)				
Other protection:				
Animal control	\$ 479,821	\$ 485,082	\$ 449,412	\$ 35,670
Medical examiner	1,000	1,100	1,100	-
Emergency services	648,994	653,434	588,166	65,268
Total other protection	<u>\$ 1,129,815</u>	<u>\$ 1,139,616</u>	<u>\$ 1,038,678</u>	<u>\$ 100,938</u>
Total public safety	<u>\$ 10,591,474</u>	<u>\$ 11,130,097</u>	<u>\$ 9,887,081</u>	<u>\$ 1,243,016</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	<u>\$ 1,000,735</u>	<u>\$ 1,187,720</u>	<u>\$ 908,636</u>	<u>\$ 279,084</u>
Total maintenance of general buildings and grounds	<u>\$ 1,000,735</u>	<u>\$ 1,187,720</u>	<u>\$ 908,636</u>	<u>\$ 279,084</u>
Total public works	<u>\$ 1,000,735</u>	<u>\$ 1,187,720</u>	<u>\$ 908,636</u>	<u>\$ 279,084</u>
Health and welfare:				
Health:				
Local health department	<u>\$ 262,264</u>	<u>\$ 266,175</u>	<u>\$ 266,175</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services	<u>\$ 412,700</u>	<u>\$ 412,700</u>	<u>\$ 412,700</u>	<u>\$ -</u>
Welfare:				
Administration and public assistance	\$ 4,723,686	\$ 5,713,088	\$ 5,104,747	\$ 608,341
Community youth services	1,083,088	1,424,041	1,411,769	12,272
Families first	428,840	428,840	373,300	55,540
Headstart	1,041,819	1,038,183	1,038,183	-
Cosmetology	54,775	152,549	152,549	-
Options	129,678	139,078	131,583	7,495
Daycare	1,321,209	1,598,911	1,598,911	-
Revenue maximization	802,835	802,835	76,079	726,756
Career resource center	20,131	20,131	12,392	7,739
Total welfare	<u>\$ 9,606,061</u>	<u>\$ 11,317,656</u>	<u>\$ 9,899,513</u>	<u>\$ 1,418,143</u>
Total health and welfare	<u>\$ 10,281,025</u>	<u>\$ 11,996,531</u>	<u>\$ 10,578,388</u>	<u>\$ 1,418,143</u>
Education:				
Contributions to community colleges	\$ 7,422	\$ 7,422	\$ 7,422	\$ -
Contributions to Piedmont Tech	273,624	456,219	456,219	-
Contributions to School Board Component Unit	<u>22,733,882</u>	<u>23,107,132</u>	<u>20,199,698</u>	<u>2,907,434</u>
Total education	<u>\$ 23,014,928</u>	<u>\$ 23,570,773</u>	<u>\$ 20,663,339</u>	<u>\$ 2,907,434</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General Fund
 Year Ended June 30, 2005 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Expenditures: (continued)				
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation	\$ 459,787	\$ 465,664	\$ 348,161	\$ 117,503
Library:				
Library	\$ 736,167	\$ 762,855	\$ 750,804	\$ 12,051
Total parks, recreation and cultural	\$ 1,195,954	\$ 1,228,519	\$ 1,098,965	\$ 129,554
Community development:				
Planning and community development:				
Planning	\$ 558,415	\$ 576,564	\$ 525,332	\$ 51,232
Chamber of commerce	10,000	10,000	10,000	-
Zoning board	5,344	5,344	2,665	2,679
Economic development	333,704	354,953	307,637	47,316
Total planning and community development	\$ 907,463	\$ 946,861	\$ 845,634	\$ 101,227
Environmental management:				
Soil and water conservation district	\$ 27,834	\$ 37,334	\$ 37,334	\$ -
Cooperative extension program:				
VPI extension	\$ 158,889	\$ 164,792	\$ 130,352	\$ 34,440
Total community development	\$ 1,094,186	\$ 1,148,987	\$ 1,013,320	\$ 135,667
Debt service:				
Principal retirement	\$ 2,264,697	\$ 2,264,697	\$ 2,218,067	\$ 46,630
Interest and fiscal charges	1,656,362	1,656,362	1,593,327	63,035
Total debt service	\$ 3,921,059	\$ 3,921,059	\$ 3,811,394	\$ 109,665
Total expenditures	\$ 55,964,115	\$ 59,540,024	\$ 52,720,637	\$ 6,819,387
Excess (deficiency) of revenues over expenditures	\$ 1,621,277	\$ (526,422)	\$ 10,502,422	\$ 11,028,844
Other financing sources (uses):				
Transfers (out)	\$ (3,629,109)	\$ (3,581,345)	\$ (2,565,300)	\$ 1,016,045
Total other financing sources (uses)	\$ (3,629,109)	\$ (3,581,345)	\$ (2,565,300)	\$ 1,016,045
Changes in fund balances	\$ (2,007,832)	\$ (4,107,767)	\$ 7,937,122	\$ 12,044,889
Fund balances at beginning of year, as restated	2,007,832	4,107,767	25,441,283	21,333,516
Fund balances at end of year	\$ -	\$ -	\$ 33,378,405	\$ 33,378,405

Schedule of Funding Progress for the Virginia Retirement System
Last Three Fiscal Years

County

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2004	\$ 19,206,873	\$ 21,021,814	\$ 1,814,941	91.37%	\$ 10,886,225	16.67%
6/30/2003	18,285,402	18,581,571	296,169	98.41%	9,109,502	3.25%
6/30/2002	17,491,693	16,399,040	(1,092,653)	106.66%	8,495,539	-12.86%

Discretely Presented Component Unit - School Board

School Board Non-Professionals:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2004	\$ 5,083,955	\$ 5,016,876	\$ (67,079)	101.34%	\$ 1,876,611	-3.57%
6/30/2003	4,966,916	4,597,655	(369,261)	108.03%	1,753,909	-21.05%
6/30/2002	4,903,700	4,148,019	(755,681)	118.22%	1,647,487	-45.87%

OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Statements and Schedules

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- Capital Projects Fund
 Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 127,838	\$ 127,838
Miscellaneous	-	199,310	343,048	143,738
Intergovernmental:				
Commonwealth	1,369,590	1,469,590	-	(1,469,590)
Federal	<u>113,775</u>	<u>276,278</u>	<u>363,803</u>	<u>87,525</u>
Total revenues	<u>\$ 1,483,365</u>	<u>\$ 1,945,178</u>	<u>\$ 834,689</u>	<u>\$ (1,110,489)</u>
Expenditures:				
Current:				
General government administration	\$ 65,000	\$ 199,768	\$ 28,581	\$ 171,187
Public safety	60,000	6,629,004	5,680,745	948,259
Public works	1,971,947	3,732,278	685,397	3,046,881
Parks & recreation	77,000	4,573,959	4,055,817	518,142
Community development	-	1,013,720	84,665	929,055
Debt service:				
Interest and other fiscal charges	<u>-</u>	<u>50,311</u>	<u>50,311</u>	<u>-</u>
Total expenditures	<u>\$ 2,173,947</u>	<u>\$ 16,199,040</u>	<u>\$ 10,585,516</u>	<u>\$ 5,613,524</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (690,582)</u>	<u>\$ (14,253,862)</u>	<u>\$ (9,750,827)</u>	<u>\$ 4,503,035</u>
Other financing sources (uses):				
Issuance of debt	\$ -	\$ 9,408,000	\$ 9,408,000	\$ -
Transfers in	<u>690,582</u>	<u>690,582</u>	<u>878,232</u>	<u>187,650</u>
Total other financing sources (uses)	<u>\$ 690,582</u>	<u>\$ 10,098,582</u>	<u>\$ 10,286,232</u>	<u>\$ 187,650</u>
Changes in fund balances	\$ -	\$ (4,155,280)	\$ 535,405	\$ 4,690,685
Fund balances at beginning of year	<u>-</u>	<u>4,155,280</u>	<u>2,673,991</u>	<u>(1,481,289)</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,209,396</u>	<u>\$ 3,209,396</u>

Combining Schedule of Fiduciary Net Assets -
 Agency Funds
 At June 30, 2005

	Special Welfare Fund	Sheriff Commissory Fund	Piedmont Tech Fund	Thrift Store	Totals
Assets:					
Cash and cash equivalents	\$ 54,441	\$ 10,814	\$ -	\$ 133,276	\$ 198,531
Accounts receivable	-	-	25,124	-	25,124
Total assets	<u>\$ 54,441</u>	<u>\$ 10,814</u>	<u>\$ 25,124</u>	<u>\$ 133,276</u>	<u>\$ 223,655</u>
Liabilities:					
Amounts held for others	\$ -	\$ -	\$ 25,124	\$ 133,276	\$ 158,400
Amounts held for inmates	-	10,814	-	-	10,814
Amounts held for social service clients	54,441	-	-	-	54,441
Total liabilities	<u>\$ 54,441</u>	<u>\$ 10,814</u>	<u>\$ 25,124</u>	<u>\$ 133,276</u>	<u>\$ 223,655</u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2005

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash	\$ 32,984	\$ 87,110	\$ 65,653	\$ 54,441
Liabilities:				
Amounts held for social service clients	\$ 32,984	\$ 87,110	\$ 65,653	\$ 54,441
Sheriff Commissary Fund:				
Assets:				
Cash	\$ 12,121	\$ 47,009	\$ 48,316	\$ 10,814
Liabilities:				
Amounts held for inmates	\$ 12,121	\$ 47,009	\$ 48,316	\$ 10,814
Piedmont Tech Fund:				
Assets:				
Cash	\$ 5,819	\$ 470,522	\$ 476,341	\$ -
Accounts receivable	11,766	25,124	11,766	25,124
Total assets	\$ 17,585	\$ 495,646	\$ 488,107	\$ 25,124
Liabilities:				
Amounts held for others	\$ 17,585	\$ 495,646	\$ 488,107	\$ 25,124
Total liabilities	\$ 17,585	\$ 495,646	\$ 488,107	\$ 25,124
Thrift Store:				
Assets:				
Cash	\$ 96,178	\$ 222,839	\$ 185,741	\$ 133,276
Liabilities:				
Amounts held for others	\$ 96,178	\$ 222,839	\$ 185,741	\$ 133,276
Totals -- All agency funds				
Assets:				
Cash	\$ 147,102	\$ 827,480	\$ 776,051	\$ 198,531
Accounts receivable	11,766	25,124	11,766	25,124
Total assets	\$ 158,868	\$ 852,604	\$ 787,817	\$ 223,655
Liabilities:				
Amounts held for social service clients	\$ 32,984	\$ 87,110	\$ 65,653	\$ 54,441
Amounts held for inmates	12,121	47,009	48,316	10,814
Amounts held for others	113,763	718,485	673,848	158,400
Total liabilities	\$ 3,557,065	\$ 852,604	\$ 787,817	\$ 223,655

Discretely Presented Component Unit-School Board

Combining Balance Sheet

Governmental Funds - Discretely Presented Component Unit -- School Board

At June 30, 2005

	Governmental Funds			
	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 15,530	\$ 946,659	\$ -	\$ 962,189
Receivables (net of allowances for uncollectibles):				
Accounts receivable	-	-	-	-
Due from other governmental units	1,582,388	-	-	1,582,388
Due from primary government	3,661,592	-	-	3,661,592
Total assets and other debits	\$ 5,259,510	\$ 946,659	\$ -	\$ 6,206,169
LIABILITIES				
Accounts payable	\$ 190,826	\$ -	\$ 334,941	\$ 525,767
Reconciled overdraft	-	-	1,395,619	1,395,619
Accrued liabilities	5,068,684	139,364	-	5,208,048
Total liabilities	\$ 5,259,510	\$ 139,364	\$ 1,730,560	\$ 7,129,434
FUND BALANCES				
Unreserved:				
Designated for subsequent expenditures	\$ -	\$ 807,295	\$ -	\$ 807,295
Designated for capital projects	-	-	(1,730,560)	(1,730,560)
Total fund balances	\$ -	\$ 807,295	\$ (1,730,560)	\$ (923,265)
Total liabilities and fund balances	\$ 5,259,510	\$ 946,659	\$ -	

Detailed explanation of adjustments from fund statements to government-wide statement of net assets:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole.

24,121,472

Long-term liabilities applicable to the locality's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term are reported in the statement of net assets.

(1,751,142)

Net assets of General Government Activities

\$ 21,447,065

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances --
 Governmental Funds - Discretely Presented Component Unit -- School Board
 Year Ended June 30, 2005

	Governmental Fund Types			Totals
	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	
Revenues:				
Revenue from use of money and property	\$ 31,770	\$ 11,791	\$ 62,890	\$ 106,451
Charges for services	12,013	1,523,490	-	1,535,503
Miscellaneous	405,173	37,273	-	442,446
Intergovernmental:				
County contribution to School Board	19,841,091	-	358,607	20,199,698
Commonwealth	26,449,461	27,110	-	26,476,571
Federal	2,886,877	728,149	-	3,615,026
Total revenues	\$ 49,626,385	\$ 2,327,813	\$ 421,497	\$ 52,375,695
Expenditures:				
Current:				
Education	\$ 49,357,684	\$ 2,261,222	\$ -	\$ 51,618,906
Capital projects	-	-	4,208,666	4,208,666
Debt service:				
Principal retirement	241,077	-	-	241,077
Interest and other fiscal charges	27,624	-	-	27,624
Total expenditures	\$ 49,626,385	\$ 2,261,222	\$ 4,208,666	\$ 56,096,273
Excess (deficiency) of revenues over expenditures	\$ -	\$ 66,591	\$ (3,787,169)	\$ (3,720,578)
Other financing sources (uses):				
Issuance of debt	\$ -	\$ -	\$ 1,207,562	\$ 1,207,562
Total other financing sources (uses)	\$ -	\$ -	\$ 1,207,562	\$ 1,207,562
Changes in fund balances	\$ -	\$ 66,591	\$ (2,579,607)	\$ (2,513,016)
Fund balances at beginning of year, as restated	-	740,704	849,047	1,589,751
Fund balances at end of year	\$ -	\$ 807,295	\$ (1,730,560)	\$ (923,265)

COUNTY OF CULPEPER, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Governmental Funds - Budget and Actual -- Discretely Presented Component Unit -- School Board
 Year Ended June 30, 2005

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Budget	Final Budget	Actual	
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 31,770	\$ 31,770
Charges for services	-	-	12,013	12,013
Miscellaneous	483,920	483,920	405,173	(78,747)
Intergovernmental:				
County contribution to School Board	22,375,275	22,748,525	19,841,091	(2,907,434)
Commonwealth	26,840,116	26,938,512	26,449,461	(489,051)
Federal	2,520,415	2,520,415	2,886,877	366,462
Total revenues	\$ 52,219,726	\$ 52,691,372	\$ 49,626,385	\$ (3,064,987)
Expenditures:				
Current:				
Education:				
Instruction	\$ 41,236,597	\$ 41,334,993	\$ 39,967,753	\$ 1,367,240
Administration, attendance and health	2,354,263	2,389,715	2,026,372	363,343
Pupil transportation	2,552,759	2,552,759	2,495,860	56,899
Operation and maintenance of school plant	5,621,107	5,549,488	4,796,080	753,408
Facilities	-	71,619	71,619	-
School food service	-	-	-	-
Total education	\$ 51,764,726	\$ 51,898,574	\$ 49,357,684	\$ 2,540,890
Capital Projects	-	-	-	-
Debt service:				
Principal retirement	400,000	700,000	241,077	458,923
Interest and other fiscal charges	55,000	92,798	27,624	65,174
Total expenditures	\$ 52,219,726	\$ 52,691,372	\$ 49,626,385	\$ 3,064,987
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ -	\$ -
Other financing sources:				
Issuance of debt	\$ -	\$ -	\$ -	\$ -
Total other financing sources	\$ -	\$ -	\$ -	\$ -
Changes in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances at beginning of year, as restated	-	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -

School Cafeteria Fund				School Capital Projects Fund			
Final Budget	Amended	Actual	Variance From Final Budget Positive (Negative)	Budget	Amended	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ -	\$ 11,791	\$ 11,791	\$ -	\$ -	\$ 62,890	\$ 62,890
1,113,383	1,113,383	1,523,490	410,107	-	-	-	-
-	-	37,273	37,273	-	-	-	-
-	-	-	-	358,607	358,607	358,607	-
26,617	26,617	27,110	493	-	-	-	-
660,000	660,000	728,149	68,149	-	-	-	-
<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 2,327,813</u>	<u>\$ 527,813</u>	<u>\$ 358,607</u>	<u>\$ 358,607</u>	<u>\$ 421,497</u>	<u>\$ 62,890</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,800,000	1,800,000	2,261,222	(461,222)	-	-	-	-
<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 2,261,222</u>	<u>\$ (461,222)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	-	358,607	6,435,912	4,208,666	2,227,246
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 2,261,222</u>	<u>\$ (461,222)</u>	<u>\$ 358,607</u>	<u>\$ 6,435,912</u>	<u>\$ 4,208,666</u>	<u>\$ 2,227,246</u>
\$ -	\$ -	\$ 66,591	\$ 66,591	\$ -	\$ (6,077,305)	\$ (3,787,169)	\$ 2,290,136
-	-	-	-	-	1,207,562	1,207,562	-
-	-	-	-	-	1,207,562	1,207,562	-
-	-	66,591	66,591	-	(4,869,743)	(2,579,607)	2,290,136
-	-	740,704	740,704	-	4,869,743	849,047	(4,020,696)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 807,295</u>	<u>\$ 807,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,730,560)</u>	<u>\$ (1,730,560)</u>

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (2,513,016)
---	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital

Net change in fund balances - total governmental funds		
Capital asset additions	\$ 4,393,135	
Depreciation expense	<u>(1,772,451)</u>	2,620,684

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to decrease net assets	(493,620)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. This amount reflects the change in accrued leave.	(86,118)
--	----------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Details of this adjustment are as follows:

Principal retired on capital lease obligations	\$ 241,077	
Issuance of capital lease	<u>(730,562)</u>	(489,485)

Transfer of joint tenancy assets from Primary Government to the Component Unit	<u>1,708,605</u>
--	------------------

Change in net assets of governmental activities	<u><u>\$ 747,050</u></u>
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Supporting Schedule

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Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2005

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 23,340,019	\$ 23,340,019	\$ 24,838,882	\$ 1,498,863
Real and personal public service corporation property taxes	1,110,665	1,110,665	897,280	(213,385)
Personal property taxes	8,501,056	8,501,056	5,359,720	(3,141,336)
Mobile home taxes	39,782	39,782	44,482	4,700
Machinery and tools taxes	1,360,917	1,360,917	1,178,564	(182,353)
Penalties	242,000	242,000	322,215	80,215
Interest	132,000	132,000	166,816	34,816
Total general property taxes	\$ 34,726,439	\$ 34,726,439	\$ 32,807,959	\$ (1,918,480)
Other local taxes:				
Local sales and use taxes	\$ 4,286,456	4,286,456	\$ 5,426,631	\$ 1,140,175
Transient occupancy tax	12,500	12,500	18,696	6,196
Consumer utility taxes	1,726,000	1,726,000	1,771,697	45,697
Franchise license taxes	78,125	78,125	101,297	23,172
Motor vehicle licenses	648,000	648,000	710,746	62,746
Taxes on recordation and wills	550,000	550,000	1,602,899	1,052,899
E-911 Taxes	830,000	830,000	807,345	(22,655)
Total other local taxes	\$ 8,131,081	\$ 8,131,081	\$ 10,439,311	\$ 2,308,230
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 11,700	\$ 11,700	\$ 12,026	\$ 326
Building and related permits	700,000	721,759	1,211,426	489,667
Other permits and licenses	196,150	196,150	891,138	694,988
Total permits, privilege fees and regulatory licenses	\$ 907,850	\$ 929,609	\$ 2,114,590	\$ 1,184,981
Fines and Forfeitures:				
Court fines and forfeitures	\$ 80,000	\$ 80,000	\$ 78,609	\$ (1,391)
Revenue from use of money and property:				
Revenue from use of money	\$ 160,000	\$ 160,000	\$ 594,246	\$ 434,246
Revenue from use of property	143,100	143,100	168,155	25,055
Total revenue from use of money and property	\$ 303,100	\$ 303,100	\$ 762,401	\$ 459,301
Charges for services:				
Excess fees of clerk	\$ 72,000	\$ 72,000	\$ 289,306	\$ 217,306
Charges for Commonwealth's attorney	1,300	1,300	1,511	211
Charges for parks and recreation	90,744	90,744	92,106	1,362
Charges for law enforcement and traffic control	11,000	11,000	22,788	11,788
Charges for courthouse maintenance fees	17,000	17,000	16,674	(326)
Charges for courthouse and courtroom security fees	40,000	40,000	44,301	4,301
Charges for other protection	33,600	33,600	47,467	13,867
Charges for library	29,972	39,781	41,052	1,271
Charges for planning and community development	20,100	20,100	2,040	(18,060)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2005 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Charges for services: (continued)				
Charges for law library	\$ 13,000	\$ 13,000	\$ 13,166	\$ 166
Cosmetology fees	54,775	100,000	120,259	20,259
Charges for daycare	520,689	520,689	965,574	444,885
Total charges for services	\$ 904,180	\$ 959,214	\$ 1,656,244	\$ 697,030
Miscellaneous revenue:				
Miscellaneous	\$ 190,289	\$ 241,907	\$ 239,645	\$ (2,262)
Insurance recoveries	-	-	10,449	10,449
Total miscellaneous revenue	\$ 190,289	\$ 241,907	\$ 250,094	\$ 8,187
Recovered costs:				
Wheels for work	\$ 21,690	\$ 21,690	\$ 24,502	\$ 2,812
Revenue maximization	155,709	165,709	19,167	(146,542)
Daycare	64,839	64,839	65,442	603
Payments from localities	31,801	31,801	124,947	93,146
Total recovered costs	\$ 274,039	\$ 284,039	\$ 234,058	\$ (49,981)
Total revenue from local sources	\$ 45,516,978	\$ 45,655,389	\$ 48,343,266	\$ 2,687,877
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 27,244	\$ 27,244	\$ 14,420	\$ (12,824)
Wine taxes	26,160	26,160	15,115	(11,045)
Motor vehicle carriers' tax	33,199	33,199	32,584	(615)
Recordation tax	172,502	172,502	286,014	113,512
Mobile home titling taxes	10,942	10,942	21,665	10,723
PPTRA	-	-	3,113,516	3,113,516
Auto rental tax	2,052	2,052	10,236	8,184
Total noncategorical aid	\$ 272,099	\$ 272,099	\$ 3,493,550	\$ 3,221,451
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 281,653	\$ 281,653	\$ 288,625	\$ 6,972
Sheriff	2,160,368	2,160,368	2,241,744	81,376
Commissioner of the Revenue	95,234	95,234	101,784	6,550
Treasurer	106,174	106,174	109,767	3,593
Medical examiner	600	600	630	30
Registrar/electoral board	47,926	47,926	59,401	11,475
Clerk of the Circuit Court	241,434	273,588	269,634	(3,954)
Combined Court	5,000	5,000	7,789	2,789
Total shared expenses	\$ 2,938,389	\$ 2,970,543	\$ 3,079,374	\$ 108,831

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2005 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid:				
Welfare administration and assistance	\$ 4,677,249	\$ 4,840,070	\$ 821,989	\$ (4,018,081)
Local jail	244,233	244,233	279,050	34,817
Abandoned vehicle program	-	-	4,350	4,350
Fire service program	33,000	33,000	48,443	15,443
Families first grant	418,840	418,840	334,124	(84,716)
Options	20,000	27,500	27,500	-
Library aid	148,803	148,637	148,637	-
Community youth services grant	647,091	804,949	822,013	17,064
Juvenile and domestic relations	72,394	72,394	72,394	-
Criminal justice services	214,406	214,406	212,224	(2,182)
School resource officer grant	53,166	53,166	17,763	(35,403)
Crime victim assistance	13,348	13,846	13,801	(45)
VA tobacco settlement found	62,916	54,760	45,182	(9,578)
Other categorical aid	59,314	89,355	17,161	(72,194)
Total other categorical aid	\$ 6,664,760	\$ 7,015,156	\$ 2,864,631	\$ (4,150,525)
Total categorical aid	\$ 9,603,149	\$ 9,985,699	\$ 5,944,005	\$ (4,041,694)
Total revenue from the Commonwealth	\$ 9,875,248	\$ 10,257,798	\$ 9,437,555	\$ (820,243)
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 802,835	\$ 1,641,685	\$ 3,757,913	\$ 2,116,228
Adult services grant	167,068	167,068	187,870	20,802
COPS grant	76,284	76,284	25,256	(51,028)
School resource officer grant	-	-	29,209	29,209
VSTOP grant	-	-	40,994	40,994
Homeland security	-	131,869	131,869	-
Emergency services	-	-	88,344	88,344
Library grant	-	-	2,770	2,770
Victim witness grant	55,160	55,160	55,158	(2)
Drug forfeitures	-	-	2,272	2,272
Headstart	1,041,819	978,349	1,039,860	61,511
Law enforcement grant	-	-	16,757	16,757
Universal hiring grant	50,000	50,000	45,000	(5,000)
DMV selective enforcement grant	-	-	18,966	18,966
Total revenue from the federal government	\$ 2,193,166	\$ 3,100,415	\$ 5,442,238	\$ 2,341,823
Total General Fund	\$ 57,585,392	\$ 59,013,602	\$ 63,223,059	\$ 4,209,457

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2005 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 112,798	\$ 112,798
Revenue from use of property	-	-	15,040	15,040
Total revenue from use of money and property	\$ -	\$ -	\$ 127,838	\$ 127,838
Miscellaneous:				
Miscellaneous	\$ -	\$ 199,310	\$ 343,048	\$ 143,738
Total revenue from local sources	\$ -	\$ 199,310	\$ 470,886	\$ 271,576
Revenue from the Commonwealth:				
Categorical aid:				
VDOT grant	\$ 1,369,590	\$ 1,469,590	\$ -	\$ (1,469,590)
Total revenue from the Commonwealth	\$ 1,369,590	\$ 1,469,590	\$ -	\$ (1,469,590)
Revenue from the federal government:				
Categorical aid:				
Emergency services	\$ -	\$ 162,503	\$ 162,503	\$ -
Help America vote act grant	113,775	113,775	201,300	87,525
Total revenue from the Federal government	\$ 113,775	\$ 276,278	\$ 363,803	\$ 87,525
Total Capital Projects Fund	\$ 1,483,365	\$ 1,945,178	\$ 834,689	\$ (1,110,489)
Grand Total Revenues -- Primary Government	\$ 59,068,757	\$ 60,958,780	\$ 64,057,748	\$ 3,098,968
Component Unit -- School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ -	\$ -	\$ 31,770	\$ 31,770
Total revenue from use of money and property	\$ -	\$ -	\$ 31,770	\$ 31,770
Charges for services:				
Textbook sales	\$ -	\$ -	\$ 2,755	\$ 2,755
Tuition and fees	-	-	9,258	9,258
Total charges for services	\$ -	\$ -	\$ 12,013	\$ 12,013
Miscellaneous revenue:				
Art program reimbursement	\$ 75,016	\$ 75,016	\$ 45,036	\$ (29,980)
Tuition reimbursement	208,904	208,904	58,277	(150,627)
Miscellaneous	200,000	200,000	301,860	101,860
Total miscellaneous revenue	\$ 483,920	\$ 483,920	\$ 405,173	\$ (78,747)
Total revenue from local sources	\$ 483,920	\$ 483,920	\$ 448,956	\$ (34,964)

Governmental Funds and Discretely Presented Component Unit - School Board

Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2005 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
Intergovernmental revenue:				
County contribution to School Board	\$ 22,375,275	\$ 22,748,525	\$ 19,841,091	\$ (2,907,434)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,094,896	\$ 5,094,896	\$ 5,185,565	\$ 90,669
Basic school aid	15,267,504	15,267,504	14,925,533	(341,971)
Special education-SOQ	1,443,161	1,443,161	1,417,805	(25,356)
Primary class size	325,842	325,842	325,300	(542)
Gifted and talented	150,247	150,247	147,607	(2,640)
Remedial education	316,309	316,309	310,752	(5,557)
Third grade remedial	102,830	102,830	45,985	(56,845)
Vocational education-SOQ	185,832	185,832	182,567	(3,265)
Educational technology	284,000	284,000	336,000	52,000
At - risk	338,225	338,225	-	(338,225)
Lottery	864,671	864,671	920,408	55,737
Textbook	249,568	249,568	245,183	(4,385)
Fringe benefits	1,339,982	1,339,982	1,318,215	(21,767)
Regional programs	93,314	93,314	138,693	45,379
Early reading intervention	55,282	55,282	144,485	89,203
School construction	178,267	178,267	178,745	478
Other categorical aid	550,186	648,582	626,618	(21,964)
Total categorical aid	\$ 26,840,116	\$ 26,938,512	\$ 26,449,461	\$ (489,051)
Total revenue from the Commonwealth	\$ 26,840,116	\$ 26,938,512	\$ 26,449,461	\$ (489,051)
Revenue from the federal government:				
Categorical aid:				
Chapter I	\$ 983,595	\$ 983,595	\$ 868,421	\$ (115,174)
Title II -- education for economic security	291,000	291,000	288,550	(2,450)
Drug free schools	-	-	60,259	60,259
Advance placement grant	-	-	52	52
Title VI - B	760,977	760,977	1,182,825	421,848
Preschool incentive	45,206	45,206	89,473	44,267
Title V	-	-	47,641	47,641
Vocational education	99,360	99,360	80,768	(18,592)
21st Century	30,277	30,277	85,388	55,111
State assessments and related activities	-	-	22,925	22,925
Smaller learning communities	169,000	169,000	160,575	(8,425)
Miscellaneous federal grants	141,000	141,000	-	(141,000)
Total revenue from the federal government	\$ 2,520,415	\$ 2,520,415	\$ 2,886,877	\$ 366,462
Total School Operating Fund	\$ 52,219,726	\$ 52,691,372	\$ 49,626,385	\$ (3,064,987)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2005 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 11,791	\$ 11,791
Charges for services:				
Cafeteria sales	1,113,383	1,113,383	1,523,490	410,107
Miscellaneous revenue:				
Miscellaneous	-	-	37,273	37,273
Total revenue from local sources	\$ 1,113,383	\$ 1,113,383	\$ 1,572,554	\$ 459,171
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 26,617	\$ 26,617	\$ 27,110	\$ 493
Total revenue from the Commonwealth	\$ 26,617	\$ 26,617	\$ 27,110	\$ 493
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 660,000	\$ 660,000	\$ 728,149	\$ 68,149
Total revenue from the federal government	\$ 660,000	\$ 660,000	\$ 728,149	\$ 68,149
Total School Cafeteria Fund	\$ 1,800,000	\$ 1,800,000	\$ 2,327,813	\$ 527,813
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 62,890	\$ 62,890
Intergovernmental revenue:				
County contribution to School Board	\$ 358,607	\$ 358,607	\$ 358,607	\$ -
Total School Capital Projects Fund	\$ 358,607	\$ 358,607	\$ 421,497	\$ 62,890
Grand Total Revenues--Component Unit--School Board	\$ 54,019,726	\$ 54,849,979	\$ 52,375,695	\$ (2,474,284)
Grand Total Revenues -- Reporting Entity	\$ 113,088,483	\$ 115,808,759	\$ 116,433,443	\$ 624,684

Statistical Tables

COUNTY OF CULPEPER, VIRGINIAGovernment-Wide Expenses by Function
Last Four Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Recreation and Cultural
2001-02	\$ 2,021,301	\$ 1,589,341	\$ 6,248,448	\$ 415,475	\$ 7,196,456	\$ 5,594,190	\$ 1,048,520
2002-03	2,407,532	1,577,158	7,360,961	781,679	8,264,228	19,307,486	923,477
2003-04	2,499,392	1,740,818	9,103,918	1,283,304	10,142,768	22,350,250	1,095,318
2004-05	2,953,543	1,969,364	10,081,478	1,479,809	10,379,264	23,427,804	1,100,173

Table 1

<u>Community Development</u>	<u>Capital Outlays</u>	<u>Non-Depart- mental</u>	<u>Interest on Debt</u>	<u>Landfill</u>	<u>Water & Sewer</u>	<u>Airport</u>	<u>Water & Sewer Authority</u>	<u>Total</u>
\$ 818,280	\$ 300,424	\$ 70,825	\$ 1,027,750	\$ 1,845,751	\$ 151,347	\$ 606,666	\$ -	\$ 28,934,774
878,919	1,930,369	-	1,992,258	1,984,407	188,694	684,971	-	48,282,139
956,662	-	-	1,770,141	2,646,458	288,077	698,619	-	54,575,725
1,120,188	-	-	1,862,068	2,782,599	429,363	835,945	563	58,422,161

COUNTY OF CULPEPER, VIRGINIA

Government-Wide Revenues

Last Four Fiscal Years

Fiscal Year	Program Revenues		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2001-02	\$ 3,332,096	\$ 9,089,540	\$ 4,564,066
2002-03	3,837,432	9,403,203	1,077,046
2003-04	5,192,404	9,995,983	3,814,763
2004-05	6,774,638	11,750,046	496,474

Table 2

General Revenues					
General Property Taxes	Other Local Taxes	Grants and Contributions Not Restricted to Specific Programs	Revenues from the Use of Money & Property	Miscellaneous	Total
\$ 22,684,654	\$ 6,261,152	\$ 2,803,975	\$ 653,014	\$ 514,260	\$ 49,902,757
24,428,142	7,192,003	3,385,516	441,331	347,492	50,112,165
29,451,312	8,819,164	3,454,276	351,264	493,592	61,572,758
32,650,412	10,439,311	3,493,550	911,704	678,118	67,194,253

COUNTY OF CULPEPER, VIRGINIA

General Government Expenditures by Function (1) Last Ten Fiscal Years

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare
1995-96	\$ 1,443,617	\$ 741,736	\$ 3,448,372	\$ 477,604	\$ 3,450,401
1996-97	1,323,224	977,590	4,002,375	509,133	3,645,618
1997-98	1,513,059	1,116,992	4,546,722	474,663	3,925,411
1998-99	1,997,729	1,280,914	5,027,376	480,148	4,446,869
1999-00	2,116,520	1,384,594	5,540,995	623,381	5,518,988
2000-01	2,256,434	1,513,634	6,544,990	520,397	6,101,477
2001-02	2,027,756	1,542,471	6,982,854	778,230	7,677,139
2002-03	2,354,893	1,592,045	7,611,193	787,182	8,274,809
2003-04	2,467,487	1,715,860	9,078,795	795,456	10,051,059
2004-05	2,848,257	1,939,838	15,567,826	1,594,033	10,578,388

(1) Includes General and Capital Project Fund of the Primary Government and its discretely presented component unit.

Note Fiscal Year 2001-02 does not include contributions from the Primary Government to the School Board of Board \$16,322,573 and contributions from the School to the Primary Government of \$ 492,125.

Table 3

	Education	Recreation and Cultural	Community Development	Non- Departmental	Capital Projects	Debt Service	Total
\$	27,262,775	\$ 110,431	\$ 764,498	\$ -	\$ 3,049,658	\$ 1,732,373	\$ 42,481,465
	30,557,603	304,883	871,865	1,713	10,351,374	1,812,833	54,358,211
	32,537,700	493,837	907,122	-	7,709,372	2,578,265	55,803,143
	33,733,895	613,341	1,032,566	-	3,910,787	2,498,306	55,021,931
	37,169,323	731,991	1,063,624	1,768	4,512,288	2,516,760	61,180,232
	38,323,552	843,992	1,604,381	12,628	8,686,707	2,923,744	69,331,936
	40,795,971	897,627	799,450	70,825	14,586,822	3,042,723	79,201,868
	43,679,748	947,467	868,872	-	4,639,186	4,069,921	74,825,316
	47,539,648	1,027,485	923,585	-	4,634,577	3,950,731	82,184,683
	52,082,547	5,154,782	1,097,985	-	4,208,666	4,130,406	99,202,728

COUNTY OF CULPEPER, VIRGINIAGeneral Government Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permit Privilege Fees & Regulatory Licenses	Fines & Forfeitures
1995-96	\$ 16,612,571	\$ 3,332,562	\$ 303,289	\$ 9,776
1996-97	17,846,374	3,739,301	315,011	67,148
1997-98	18,411,386	3,882,121	382,505	50,234
1998-99	19,819,201	4,319,891	438,841	46,738
1999-00	19,515,562	5,628,625	376,368	55,042
2000-01	21,292,619	5,993,067	602,886	24,781
2001-02	22,575,874	6,261,152	712,117	41,576
2002-03	24,445,197	7,192,003	941,713	79,245
2003-04	29,211,381	8,819,164	1,365,250	96,481
2004-05	32,807,959	10,439,311	2,114,590	78,609

(1) Includes General and Capital Project Fund of the Primary Government and its discretely presented component unit.

Note Fiscal Year 2001-02 does not include contributions from the Primary Government to the School Board of \$16,322,573 and contributions from the School Board to the Primary Government of \$492,125

Table 4

Revenues from the Use of Money & Property	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental	Total
\$ 1,119,942	\$ 1,384,928	\$ 160,169	\$ -	\$ 20,016,290	\$ 42,939,527
1,461,717	1,564,490	558,744	147,496	22,201,807	47,902,088
1,255,190	1,660,206	1,836,710	94,765	24,490,007	52,063,124
1,508,457	2,074,884	792,700	368,654	26,456,116	55,825,482
1,121,867	2,141,159	1,050,828	312,203	30,307,920	60,509,574
2,530,417	2,207,046	1,197,766	349,084	32,902,979	67,100,645
877,544	2,000,581	1,618,808	440,647	35,422,164	69,950,463
560,014	2,264,757	1,201,902	268,332	37,037,217	73,990,380
400,316	2,840,495	966,665	151,654	40,574,886	84,426,292
996,690	3,191,747	1,035,588	234,058	45,335,193	96,233,745

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Current Tax (1)(4) Collections	Percent of Levy Collected	Delinquent (1) Tax (2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)(3)	Percent of Delinquent Taxes to Tax Levy
1995-96	\$ 16,311,291	\$ 15,664,498	96.03%	\$ 502,183	\$ 16,166,681	99.11%	\$ 1,307,097	8.01%
1996-97	17,136,386	16,566,121	96.67%	711,413	17,277,534	100.82%	1,167,651	6.81%
1997-98	17,842,385	17,048,176	95.55%	864,665	17,912,841	100.39%	1,129,576	6.33%
1998-99	19,740,029	18,909,383	95.79%	549,085	19,458,468	98.57%	1,023,118	5.18%
1999-00	19,908,616	19,238,696	96.64%	572,875	19,811,571	99.51%	969,289	4.87%
2000-01	22,779,724	21,764,061	95.54%	796,745	22,560,806	99.04%	1,008,418	4.43%
2001-02	25,171,456	24,210,243	96.18%	435,817	24,646,060	97.91%	946,184	3.76%
2002-03	27,954,349	26,484,236	94.74%	667,612	27,151,848	97.13%	876,797	3.14%
2003-04	31,558,554	31,079,517	98.48%	845,874	31,925,391	101.16%	1,079,230	3.42%
2004-05	35,078,394	34,416,374	98.11%	978,560	35,394,934	100.90%	1,061,835	3.03%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Includes three years taxes.

(4) Includes revenue from the Commonwealth for Personal Property Tax Relief Act.

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Public Service	Total
1995-96	\$ 1,376,370,540	\$ 66,485,190	\$ 4,415,150	\$ 19,754,355	\$ 14,358,361	\$ 89,184,427	\$ 1,570,568,023
1996-97	1,432,564,866	77,132,772	4,225,600	20,761,364	7,996,763	92,962,364	1,635,643,729
1997-98	1,615,897,300	81,527,039	4,618,423	25,697,286	4,267,493	93,136,336	1,825,143,877
1998-99	1,755,100,700	84,462,327	2,944,900	34,637,961	4,334,925	108,519,015	1,989,999,828
1999-00	1,803,944,800	89,792,599	3,206,000	28,408,306	51,454	106,218,265	2,031,621,424
2000-01	1,856,943,600	264,000,872	(1) 3,268,700	77,810,297	(1) -	94,661,009	2,296,684,478
2001-02	1,911,199,400	281,868,312	3,335,500	85,457,408	-	109,358,826	2,391,219,446
2002-03	1,992,958,160	349,665,282	3,586,900	72,912,837	-	106,588,172	2,525,711,351
2003-04	2,921,047,300	329,442,255	3,862,000	68,045,868	-	132,231,633	3,454,629,056
2004-05	3,066,157,290	342,808,625	3,947,400	63,700,993	-	98,285,489	3,574,899,797

(1) In fiscal year 2000-01 the Commissioner of Revenue changed assessment methodology from 40% fair market value to 100% fair market value. All other amounts are at 100% fair market value.

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years		Real Estate		Personal Property		Machinery and Tools		Merchants' Capital
1995-96	\$	0.74	\$	6.25	\$	5.00	\$	1.48
1996-97		0.74		6.25		5.00		1.00
1997-98		0.74		6.25		5.00		0.50
1998-99		0.74		6.25		5.00		0.50
1999-00		0.74		6.25		5.00		0.10
2000-01		0.82		2.50	(2)	2.00	(2)	-
2001-02		0.88		2.50		2.00		-
2002-03		0.92		2.50		2.00		-
2003-04		0.81		2.50		2.00		-
2004-05		0.89		2.50		2.00		-

(1) Per \$100 of assessed value

(2) In fiscal year 2000-01 the Board of Supervisors changed tax rates as result of change in assessment methodology as disclosed in table 4.

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands)(2)	Gross Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
1995-96	31,700	\$ 1,570,568,023	\$ 14,313,772	0.91%	\$ 452
1996-97	32,200	1,635,643,729	19,378,381	1.18%	602
1997-98	32,700	1,825,143,877	18,062,243	0.99%	552
1998-99	33,083	1,989,999,828	18,090,214	0.91%	547
1999-00	33,400	2,031,621,424	19,587,186	0.96%	586
2000-01	34,262	2,296,684,478	25,158,487	1.10%	734
2001-02	34,700	2,391,219,446	34,047,488	1.42%	981
2002-03	35,900	2,525,711,351	31,997,685	1.27%	891
2003-04	37,500	3,454,629,056	32,615,263	0.94%	870
2004-05	37,500	3,574,899,797	31,897,196	0.89%	851

(1) Bureau of the Census.

(2) From Table 6

(3) Includes all long-term general obligation bonded debt, Bond Anticipation Notes, and Literary Fund loans. Excludes revenue bonds, capital leases, and compensated absences.

Ratio of Annual Debt Service Expenditures for General Bonded
Debt (1) to Total General Governmental Expenditures
Last Ten Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (3)	Ratio of Debt Service to General Governmental Expenditures
1995-96	\$ 894,827	\$ 837,546	\$ 1,732,373	\$ 42,481,465	4.08%
1996-97	935,391	877,442	1,812,833	54,358,211	3.33%
1997-98	1,350,166	1,228,099	2,578,265	55,803,143	4.62%
1998-99	1,397,776	1,100,530	2,498,306	55,021,931	4.54%
1999-00	1,443,594	1,073,122	2,516,716	61,180,232	4.11%
2000-01	1,357,557	1,566,187	2,923,744	69,331,936	4.22%
2001-02	1,518,820	1,523,903	3,042,723	79,201,868	3.84%
2002-03	2,049,803	1,895,882	3,945,685	74,825,316	5.27%
2003-04	2,166,671	1,784,060	3,950,731	82,184,683	4.81%
2004-05	2,459,144	1,671,262	4,130,406	99,202,728	4.16%

(1) General obligation bonds reported in the enterprise funds and special assessment debt with government commitment have been excluded.

(2) Excludes bond issuance and other costs.

(3) Includes General and Capital Project Fund of the Primary Government and its discretely presented component unit.

Computation of Direct and Overlapping Bonded Debt
At June 30, 2005

Direct: (1)

County of Culpeper	\$	<u>31,897,196</u>	<u>100.00%</u>	\$	<u>31,897,196</u>
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(1) Includes general obligation bonded debt.

The County of Culpeper has no overlapping debt.

COUNTY OF CULPEPER, VIRGINIA

Property Value, Construction and Bank Deposits
Last Ten Fiscal Years

Fiscal Year	Residential Construction Permits	Valuation	Commercial Construction Permits	Valuation	Miscellaneous Construction Permits
1995-96	261	\$ 30,436,998	29	\$ 12,073,473	572
1996-97	301	35,714,899	29	10,205,799	456
1997-98	295	35,987,680	72	12,812,829	436
1998-99	328	37,772,814	66	7,614,385	434
1999-00	261	35,704,674	220	3,703,310	1,623
2000-01	320	47,181,480	112	4,205,762	1,879
2001-02	413	53,295,131	29	3,683,400	912
2002-03	365	66,407,971	131	10,394,484	1,156
2003-04	296	61,436,208	54	67,492,424	2,092
2004-05	707	147,510,995	29	19,221,548	586

N/A - amounts not available

* Amounts expressed in thousands

1 Source: Culpeper County Planning Department

2 Source: Financial Institutions Data Exchange

Table 11

<u>Valuation</u>	<u>Bank Deposits</u>	<u>Residential</u>	<u>Commercial</u>	<u>Agriculture</u>	<u>Non-Taxable</u>
\$ 9,437,824	\$ 354,012	\$ 927,151,300	\$ 240,473,600	\$ 364,163,000	\$ 97,546,400
10,814,428	356,625	966,380,800	243,383,400	365,603,800	99,871,900
8,580,190	355,675	1,005,147,900	247,485,200	363,264,200	102,387,000
8,319,775	N/A	1,095,184,100	269,265,800	390,650,800	140,631,800
3,703,310	N/A	1,172,557,300	239,399,400	391,988,100	144,565,600
9,572,979	N/A	1,223,079,100	240,243,100	393,621,400	147,549,400
8,267,326	N/A	1,272,177,000	243,258,200	395,764,200	148,098,400
4,592,876	N/A	1,327,361,800	244,728,200	258,342,400	160,929,800
25,661,437	N/A	1,942,357,700	344,680,600	631,925,900	266,247,300
29,283,883	N/A	2,048,940,000	339,380,600	347,541,800	326,634,700

Demographic Statistics
Last Ten Fiscal Years

Year	Population (1)	School Enrollment	Unemployment Rate (2)
1995-96	31,700	5,166	4.80%
1996-97	32,200	5,247	3.30%
1997-98	32,700	5,327	2.30%
1998-99	33,083	5,522	2.00%
1999-00	33,400	5,555	1.60%
2000-01	34,262	5,594	1.60%
2001-02	34,700	5,760	2.10%
2002-03	35,900	5,991	3.50%
2003-04	37,500	6,154	2.60%
2004-05	37,500	6,408	3.20%

(1) U. S. Census Bureau

(2) Virginia Employment Commission

Principal Taxpayers

At June 30, 2005

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
SWIFT, Inc.	Communications	\$ 25,558,450	0.74%
Continental Teves	Manufacturing	14,316,331	0.41%
Rochester Corp.	Cable Manufacturer	12,991,878	0.38%
Communications Corporation of America	Consulting/Mail Services	5,804,838	0.17%
Cargill, Inc.	Flower Mill	3,646,789	0.11%
Commercial Erectors, Inc	General Contractor	2,589,313	0.07%
Cedar Mountain Stone Corp	Stone Corporation	2,165,671	0.06%
Luck Stone Corp	Stone Corporation	2,041,237	0.06%
First Union Commercial Corp	Financial Corporation	1,886,334	0.05%
Cintas Corporation No 2	Consulting Corporation	1,744,513	0.05%
Totals		<u>\$ 72,745,354</u>	<u>2.11%</u>

Miscellaneous Statistics
At June 30, 2005

Date of Incorporation	1749
Form of Government	Board of Supervisors/ County Administrator
Area in square miles	381
Public Safety	
Fire and rescue companies	8
Volunteer firefighters	304
Sheriff's employees	104
Education	
Schools	8
Number of teachers	529
Number of students	6,408
Recreation and Culture	
Number of parks and recreation facilities	3
Number of libraries	1
Employees at June 30, 2005	
General government (includes public safety)	471
School division (includes teachers)	1,121

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To The Honorable Members of
The Board of Supervisors
County of Culpeper, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Culpeper, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the County of Culpeper, Virginia's basic financial statements and have issued our report thereon dated October 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Specifications for Audits of Counties, Cities, and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Culpeper, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Culpeper, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

However, we noted certain matters that we reported to management of the County of Culpeper, Virginia, in a separate letter dated October 21, 2005.

This report is intended solely for the information and use of the Board of Supervisors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 21, 2005

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To The Honorable Members of
The Board of Supervisors
County of Culpeper, Virginia

Compliance

We have audited the compliance of the County of Culpeper, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The County of Culpeper, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Culpeper, Virginia's management. Our responsibility is to express an opinion on the County of Culpeper, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Culpeper, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Culpeper, Virginia's compliance with those requirements.

In our opinion, the County of Culpeper, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the County of Culpeper, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Culpeper, Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Supervisors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

October 21, 2005

COUNTY OF CULPEPER, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
Primary Government:		
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass through payments:</u>		
Department of Social Services:		
State administration matching grants for food stamp program	10.561	\$ 448,095
Department of Aviation		
Pass Through Payments:		
Department of Aviation:		
Airport grant	20.106	\$ 183,467
Department of Health and Human Services:		
Direct Payments:		
Head start	13.600	\$ 1,039,860
Pass Through Payments:		
Department of Social Services:		
Family preservation and support	93.556	16,392
Temporary assistance to needy families	93.558	462,547
Refugee and entrant assistance	93.566	725
Low income energy assistance	93.568	8,967
Child care assistance	93.575	307,246
Child care and development fund	93.596	1,148,340
Chafee Education and Training Vouchers Program	93.599	2,582
Foster care	93.658	515,773
Adoption assistance	93.659	198,712
Social services block grant	93.667	257,227
Independent living	93.674	3,412
Medical assistance program	93.778	383,627
Americorps	94.006	7,652
Total Department of Health and Human Services		\$ 4,353,062
National Foundation on the Arts and Humanities:		
Pass Through Payments:		
Library grant	45.310	\$ 2,770
Virginia Employment Commission:		
Pass Through Payments:		
Welfare investment act--adult program	17.258	\$ 183,936
Department of Justice:		
Pass Through Payments:		
Department of Criminal Justice Services:		
Drug control and system improvement	16.579	\$ 37,565
Law enforcement block grant	16.592	2,801
Crimes victims assistance	16.575	55,158
Universal hiring grant	16.000	45,000
Bullet proof vest grant	16.000	5,600
COPS grant	16.000	25,256
Homeland security	16.000	131,869
Asset forfeiture	16.000	2,272
Violence against women formula grants	16.588	40,994
Total Department of Justice		\$ 346,515

COUNTY OF CULPEPER, VIRGINIA

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2005 (Continued)

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
Department of Transportation :		
Pass through payments:		
State and community highway safety program	20.604	\$ 18,966
Election Assistance Commission :		
Pass through payments:		
Virginia Election Commission:		
Help America vote act	90.401	\$ 201,300
Department of Homeland Security :		
Pass through payments:		
State homeland security grant program	97.004	\$ 243,472
Emergency management preparedness grant	97.042	7,923
Total Department of Homeland Security		\$ 251,395
Total Expenditures of Federal Awards-Primary Government		\$ 5,989,506
Component Unit School Board:		
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Food Distribution -- Schools	10.555	\$ 132,122
Department of Education:		
National school lunch program	10.555	554,542
National school breakfast program	10.553	173,607
Total Department of Agriculture		\$ 860,271
Department of Education:		
Pass Through Payments:		
Department of Education:		
Title 1 grants to local educational agencies	84.010	\$ 868,422
Handicapped preschool & school programs --		
Handicapped - state grants -- Title VI-B	84.027	1,182,825
Vocational education program improvement --		
Vocational education -- basic grants to states	84.048	80,768
General education - drug free schools --		
Drug-free schools and communities	84.186	60,259
Special Projects:		
Title III	84.365	11,578
Smaller learning communities	84.000	160,575
Title V -- Part A	84.298	47,641
Advance placement	84.330	52
State assessments and related activities	84.369	22,925
Technology literacy challenge	84.318	24,512
Preschool	84.173	89,474
Title II -- Part A	84.367	252,460
21st century	84.287	85,388
Total Department of Education		\$ 2,886,879
Total Expenditures of Federal Awards-Component Unit School Board		\$ 3,747,150
Total Expenditures of Federal Awards-Reporting Entity		\$ 9,736,656

COUNTY OF CULPEPER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2005

Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the County of Culpeper, Virginia. The County's reporting entity is defined in note 1 to the County's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in note 1 to the County's basic financial statements.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 5,442,238
Capital Projects Fund	363,803
Airport Fund	<u>183,467</u>
Total primary government	<u>\$ 5,989,508</u>

Component Unit Public Schools:

School Operating Fund	\$ 2,886,877
School Cafeteria Fund	<u>728,149</u>
Total component unit public schools	<u>\$ 3,615,026</u>
Total federal expenditures per basic financial statements	<u>\$ 9,604,534</u>

Non-cash expenditures - value of donated commodities	<u>\$ 132,122</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 9,736,656</u></u>
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COUNTY OF CULPEPER, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section . 510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553	National School Breakfast Program - Child Nutrition Cluster
10.555	National School Lunch Program - Child Nutrition Cluster
93.558	Temporary Assistance to Needy Families
84.010	Title I
84.027	Title VI-B - Special Education Cluster (IDEA)
84.173	Special Education Pre-school - Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.